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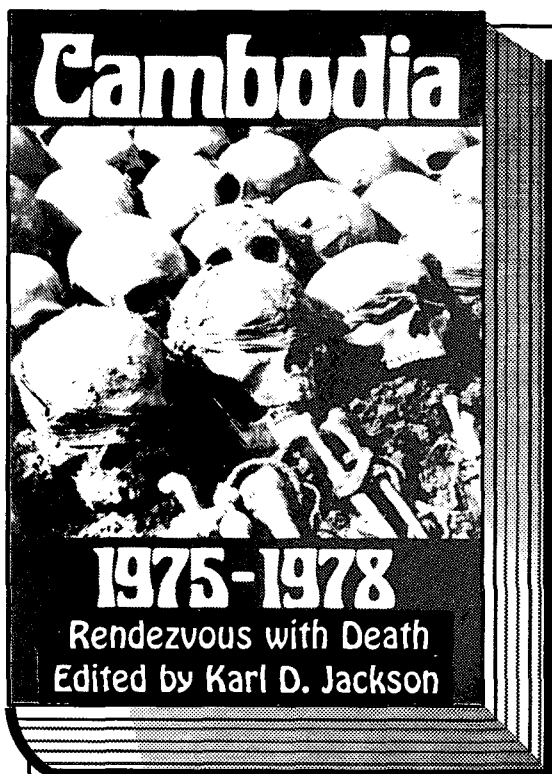
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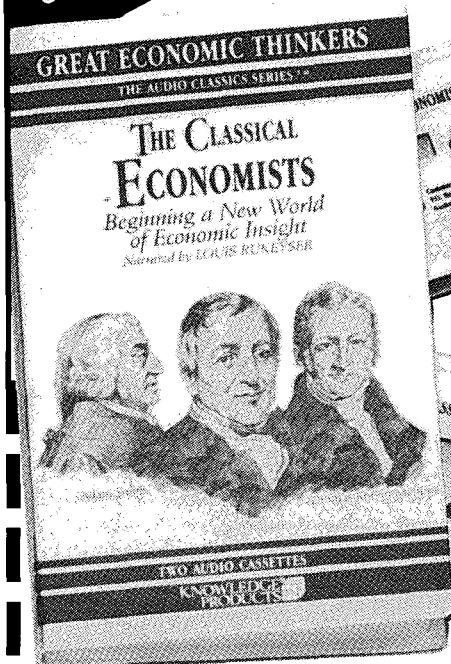
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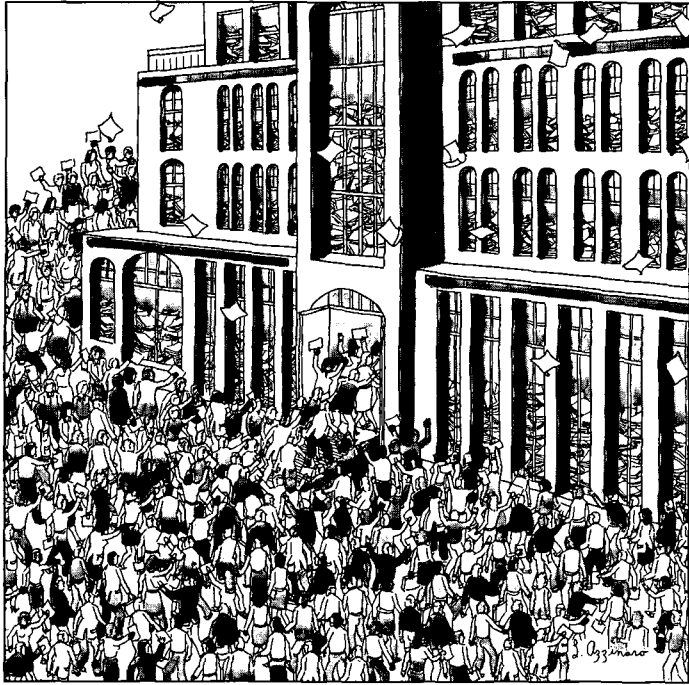
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# Lawyers and Their Pocketbooks



■ Judge Frank M. Coffin is absolutely right: general diversity-of-citizenship jurisdiction does not belong in the federal courts ("Judicial Gridlock," winter issue). There was a time when I was publicly on record in support of diversity jurisdiction, but that was a time when the demands on the federal courts were far different than they are now. The proliferation of federal legislation, the dramatic and depressing increase in federal drug prosecutions, and the great growth in civil rights litigation are more than enough to keep the federal courts fully occupied. Cases that come to federal court only because of diversity of citizenship require an inordinate amount of the valuable time of the federal courts, yet they involve issues on which only the state courts can speak with authority. The time has come to abolish diversity jurisdiction.

Unhappily, I am less sanguine than Judge Coffin about the possibility that this important change will come to pass in his or my lifetime. For too many

practicing lawyers this is a dollars-and-cents issue. I recall speaking on this subject at a judicial conference some years ago. In the question period one lawyer stood up and said plaintively, "Professor Wright, I am for anything that will improve our courts. But if you abolish diversity jurisdiction, it will take away 50 percent of my income." That is a sacrifice not many practitioners are going to be willing to make for the sake of improved judicial administration. Unfortunately, those of us who care about the effective organization and operation of the federal courts are pathetically weak as a lobby as opposed to the practitioners' groups with a vested pocketbook interest in preserving the status quo.

*Charles Alan Wright, University of Texas Law School*

## Ethiopia's Fragile New Government

■ I am more skeptical than Terrence Lyons ("Post-Cold War U.S. Policy toward Africa," win-

ter issue) of whether Secretary Cohen has implemented wisely the new strategy in Ethiopia. In extracting Mengistu from the country, the United States did the country a service. But the Ethiopian People's Revolutionary Democratic Front did not need Cohen's approval to seize power. In giving that approval, Cohen stepped outside the role of mediator and endangered the EPRDF's local legitimacy. It is also less clear to me than to Lyons that the EPRDF has been wise or successful in its efforts to broaden its base. The fabric of the Ethiopian state has been gravely weakened by Emperor Haile Selassie in his later years and by the Mengistu regime. I've seen little public indication that the Bush administration realizes the gravity of the problems confronting this still very fragile new Ethiopian government.

*John W. Harbeson, City University of New York*

## Can We Stop Some of Those 32 Wars?

■ Terrence Lyons ("Post-Cold War U.S. Policy toward Africa," winter issue) raises an important point. Does Hank Cohen's active involvement in the transition in Ethiopia set a precedent for U.S. intervention in other problem areas, such as Liberia and Somalia? Mr. Lyons concludes not.

I am inclined to agree, but wish it were otherwise. Most readers are well aware of the incredible suffering brought on by three decades of fighting between Ethiopia and Eritrea. Since the United States sponsored the original UN resolution federating Eritrea with Ethiopia, and continued to support Emperor Haile Selassie even after he ignored the terms of that federation resolution, our government certainly contributed to the problems and should have contributed to their resolution.

But, consistent with usual

practices, we fell back on the old mantra of reluctance to interfere in the internal affairs of sovereign nations when pleas for U.S. intervention were made by the Eritrean People's Liberation Front. Nor were other governments and international organizations inclined to interfere.

Yet Mr. Cohen's hands-on involvement in the final days of the war was not unlike the U.S. decision to assist the Kurdish population in Iraq following the fighting last year in the Persian Gulf. We justified our involvement on the basis of the tremendous human suffering and exigent circumstances. In neither case was there any significant hue and cry from the international community that these actions were in total violation of established diplomatic norms. In each case, our willingness to become involved certainly reduced suffering and saved lives.

Today the world's people are waging some 32 major wars, the vast majority of which are considered internal. Fully three-fourths of the deaths in these wars are civilians, not soldiers. One can only hope that the leadership of our government will continue to look for justifications for more "constructive engagement."

*Dayle E. Spencer, The Carter Center of Emory University*

## Voting Rights and Latinos

■ Bruce Cain ("Voting Rights and Democratic Theory," winter issue) questions whether long-term national and minority political interests are served by the current emphasis of the Voting Rights Act on increasing minority representation by creating legally mandated single-member districts. He proposes deemphasizing the legalist approach in favor of efforts aimed at reforming electoral laws, naturalization processes, campaign finance, and registration and voting procedures.



Clearly, such reforms would increase political access for minorities and lower-income whites, and Cain is right to ask Latinos to support them. But it is too much to ask minorities to invest scarce resources in *leading* such efforts, which are widely opposed by the political establishment.

I hope Cain's proposed reform movements succeed, but until they do, Latinos will continue to pursue their legal strategy. In many jurisdictions that is the only avenue open to them. And the strategy has been effective: it has begun to change the political map of the Southwest and given the Mexican-American vote the potential to affect even national elections.

Nonetheless, Latinos would do well to begin asking themselves some of the questions Cain has raised. Why has legal success done so little to increase electoral participation? If officials elected from these districts don't mobilize voters, why should we be confident that they effectively advance and protect Latino interests? To what extent do such officials work with statewide leaders to forge an agenda serving their constituents? Results from an ethnographic study in five Latino barrios during the 1990 election offer disheartening answers to these questions.

Latinos need to consider one final question, partly because others are raising it, partly because it is in our long-term interest to do so, and partly because honesty requires it. Who is a "Latino"? That is, who should be protected by the Voting Rights Act? On what basis may we claim protection for recently arrived immigrants from Latin America? We must develop ways to help these immigrants become part of the nation. It is not clear, however, that they should be included as protected groups as defined by the Voting Rights Act. If that is a position Latinos

wish to take, we must make our reasons clear. Failure to do so jeopardizes the integrity of the claim legitimizing the Voting Rights Act and is likely to produce a major political backlash.

Rodolpho O. de la Garza,  
University of Texas

### Keeping Latin America on the Front Burner

■ As Carol Graham ("The Enterprise for the Americas Initiative," fall issue) notes, although the long-term prospects for President Bush's Initiative are good, significant problems need to be addressed soon.

Key operational questions remain unanswered. It is not clear how bilateral arrangements will be made consistent or how they will fit with existing subregional integration schemes. How will the planned credit facility of the Inter-American Development Bank work? How will rules and regulations be drawn up and administered? What is the timing of the conditions for Initiative eligibility? How are negotiations to be carried out? While no one wants to set up burdensome new bureaucracies, the Initiative needs some sort of institutional framework for determining and coordinating such issues.

Initiative resources are meager. Even if all the programmed funds—a total of \$1.5 billion from the United States, Japan, and the European Community—are forthcoming, the sum falls far short of the \$12 billion going to Eastern Europe (whose population is less than a third that of Latin America).

The biggest problem the Initiative faces now is the lingering recession in the United States. The envisioned U.S.-Mexico free trade area, seen by many as a test case for a future hemispheric market under the Initiative, increasingly has become a political issue in the 1992 U.S. elections. If the ratification of the yet-to-be-completed treaty

is postponed, the Initiative will certainly be put on the back burner and any dynamism would be lost. And that would be a shame because the Initiative is the best thing that has happened in inter-American relations in a long time.

Joseph Grunwald, University  
of California, San Diego

### Prison Is Not the Only Answer

■ The analysis by John J. Di-Iulio, Jr., and Anne Morrison Piehl ("Does Prison Pay?" fall issue) of the cost-benefit impact of imprisonment—whether the dollar value of crime prevented through incarceration is less than the cost of imprisonment—assumes that an offender who is not jailed will not be subject to any type of supervision. Whatever one may think of probation, house arrest, or community corrections programs, they clearly provide at least some measure of crime control. Only in passing do Di-Iulio and Piehl acknowledge that the costs and benefits of these various sanctions need to be considered as well.

The narrowness of their approach is evident in the assumption that our policy choices for controlling crime lie only in various correctional sanctions. But as increasing numbers of corrections and police officials attest, the criminal justice system is not necessarily the most appropriate forum in which to address the social and individual failings that result in crime. A more informative measure of crime control policies would compare the costs and benefits of incarceration with those of social programs that have been shown to reduce crime, such as Head Start or Job Corps.

The United States is already the world leader in its rate of incarceration. Before we rush to lock up even more people based on some new speculative num-

ber-crunching, perhaps we should consider whether this is the direction in which a rational and humane society should progress.

Marc Mauer,  
The Sentencing Project

### Did He or Didn't He?

■ Some of your other readers may wonder, as I did, how Roger B. Taney could have served nearly 30 years as chief justice of the U.S. Supreme Court and presided over the *Dred Scott* decision if the Senate had rejected his nomination (Robert A. Katzmann, "The Judicial Confirmation Process," winter issue).

Katzmann was correct that the Senate denied Taney a seat on the high court, but the circumstances were unusual, and an explanation of them solves the mystery. In 1835 the Senate by a close vote recommended an indefinite postponement of President Jackson's nomination of Taney to an associate justiceship. Soon thereafter Chief Justice John Marshall died, and Jackson nominated Taney to replace him. Simultaneously, he named Philip P. Barbour to the seat denied to Taney. The Senate delayed, but after an executive session for which no records were kept, it confirmed both nominees in March 1836.

Martha Derthick,  
University of Virginia

*The Review welcomes comments from its readers. Letters should be addressed to the Editor, The Brookings Institution, 1775 Massachusetts Avenue, N.W., Washington, D.C. 20036. The letter writer should include his or her name, address, and daytime telephone number. Letters will be edited to conform to style and space.*

# The Economy: Three Problems, Not One

BY CHARLES L. SCHULTZE

The stalled economic recovery that is grabbing all the headlines these days is a serious setback, but it is actually less serious than two other longer-term problems from which our economy suffers.

The first problem, sluggish growth in national productivity, real wages, and family income, has been with us for a long time. Since 1973 average family incomes, adjusted for inflation, have been growing less than half a percent a year, and under current economic policies the prospects for long-term improvement are poor.

The second problem is that the burden of slow economic growth is not being shared equally. Even before the recession began, some 40 percent of American families—those already in the low earnings range—had lower income than they did 10 to 15 years ago. And the next 20 percent were running hard to keep in place. A few, the wealthy, were doing quite well. Except at the very top of the income scale, changes in taxes had little to do with what was happening—incomes *before* taxes became sharply less equal.

One big reason why long-term prospects for economic growth are so poor is that the United States now saves and invests an abysmally low fraction of its national income. Private saving has fallen, and the enormous budget deficit gobbles up a large fraction of what is saved, leaving that much less to finance productive investment. Anything that worsens the long-term budget deficit or lessens the prospects of eliminating it over the decade ahead will do grave harm to America's longer-term future. A bidding war on who can cut taxes the most in an election year would do just that. Indeed, once the recession is over, this country needs not a tax cut but a tax *increase*.

For these reasons we should give monetary policy a chance to work before pressuring Congress to launch a program of budgetary stimulus. Interest rates have come down a lot in recent months, but it takes time for lower rates to give the economy a boost. While the outlook for renewed economic recovery is far from certain, I think the chances are better than 50/50 that the reductions in interest rates that the Federal Reserve has set in motion, and still further cuts in the months ahead if that is necessary, will restart the stalled recovery. Because of the danger that deficit-swelling tax cuts and spending increases of a permanent nature will get enacted, I think it would be wise to wait until spring—until April or May—before deciding that monetary policy is not enough and that budget measures are necessary.

What if the forecasts are wrong and the spring rolls around with no recovery in sight? Budgetary action may then be needed, and three essential principles ought to govern the package. First, there should be no increase in the long-term budget deficit: any tax cuts should be strictly temporary. Second, additional cuts in defense spending should *not* be used to finance a permanent tax cut; they should be devoted primarily to reducing future budget deficits and secondarily to increasing public investment. Third, increases in taxes on the well-to-do—and some are indeed warranted once the recession is over—should not be devoted to middle-income tax cuts but should be reserved for deficit reduction and public investments.

If, for the sake of speeding the recovery, we have to use the budget to boost spending in the economy, it should not be through a middle-income tax cut, which will simply raise

consumption. Rather, Congress should enact two measures that would boost private and public investment spending. The first, a temporary investment tax credit, would induce more private investment. The second, a one-time grant to state and local governments, would replace some of the revenues lost from recession, so that these governments do not have to take such counterproductive measures as firing school teachers and cutting back on infrastructure investment, repairs, and maintenance.

The problem of a growing maldistribution of income is attributable in large measure to a long-term decline in the wages of less-skilled and less-educated Americans. Business firms are demanding higher and higher skills, but our elementary and secondary schools are not keeping up with the demand. The growing surplus of insufficiently trained younger people is driving down their wages. To correct this may eventually take

more money—for which we shall have to find the budgetary resources. But first the country is going to have to prove that it is serious about educational reforms. Students must be required to do more homework. Teachers should expect pay raises and promotions to be based on merit rather than on seniority. Parents must increase their involvement in the schools and have higher standards for their own children's schoolwork. And school districts must put fewer people in the administration and more in the classroom. ■

*Charles L. Schultze is a senior fellow in the Brookings Economic Studies program and the author of* *Memos to the President: A Guide through Macroeconomics for the Busy Policymaker* (Brookings, forthcoming).





# NEITHER FRIEND NOR FOE



# A China Policy for the Nineties





**A**t the end of February China and the United States passed a major milestone: the 20th anniversary of Richard Nixon's visit to China and the signing of the Shanghai Communiqué in 1972. Neither country, however, is in the mood to celebrate.

Americans spent most of the 1970s and 1980s feeling buoyantly optimistic about relations with China. For the first 10 years after the Nixon visit, they viewed Peking as a virtual ally in containing Soviet expansionism. After the establishment of diplomatic relations between the two countries in 1979, they saw boundless opportunities for trade and investment with China. In the mid-1980s, many Americans concluded that China had renounced Marxism, embraced capitalism, and launched the most successful program of economic and political reform in the communist world. By early 1989, opinion polls showed that nearly three-quarters of the American public had a favorable impression of China, up from a mere 23 percent at the time of the Shanghai Communiqué.

Since the crisis in Tiananmen Square in June 1989, however, Americans have perceived China in much darker terms: repressive at home, irresponsible abroad, and engaging in unfair commercial policies toward the United States. Only one in three Americans regard China favorably. Both houses of Congress have passed, by large majorities, legislation that could cost China its most-favored-nation trade status. Even the Bush administration, having spent enormous amounts of its dwindling political capital to preserve a relationship that so many Americans now question, seems disenchanted with Peking.

The conceptual frameworks that guided U.S. China policy in the years since Nixon first journeyed to Peking are clearly inadequate today. China can no longer be seen as an ally against an expansionist Soviet Union, or as a pioneer in political and economic liberalization. Given China's burgeoning trade surplus with the United States, it is even difficult to portray China as a lucrative trading and investment partner.

But in redesigning our China policy, it would be foolish to substitute one set of caricatures for another. If China is no longer an ally of the United States, neither has it become an American adversary. Although China has retreated from the forefront of reform, it has not returned to Maoism either politically or economically. To be effective, American China policy must reflect the complexity of China's own domestic and foreign affairs.

### **The Retreat from Political Reform**

The massive demonstrations in Peking in April and May of 1989 were warmly welcomed in the United States as a sign that young urban Chinese were demanding democracy as well as prosperity. The inability of the Chinese Communist party to suppress the demonstrations by condemning them in the press, by declaring martial law, or even by massive displays of military power made it appear that the pressures for political change had become irresistible.

From this perspective, the Chinese army's brutal and indiscriminate use of deadly force before dawn on

June 4th was a grievous disappointment. Peking's subsequent refusal to apologize for the loss of innocent life, its insistence that the demonstrations constituted a "counter-revolutionary rebellion," and its arrest and, in some cases, execution of some of those involved in the demonstrations only heightened the American sense of outrage and dismay.

Since then, Americans have viewed China as a country in full retreat from reform. With reformers like Zhao Ziyang purged from the leadership, and with hard-liners like Li Peng in command, China seems to be the victim of political repression and economic recentralization. The collapse of communism elsewhere, first in Eastern Europe and then in the Soviet Union itself, has made developments in China appear even more retrogressive. From the vanguard of reform, China has seemingly moved to the rear, along with other unrepentant nations like Cuba and North Korea.

This familiar portrait is, however, an exaggeration of a much more complicated reality. True, a wave of repression swept urban China after the Tiananmen crisis. Between 4,500 and 10,000 protesters were arrested, and at least 12 and perhaps as many as 100 executed. Since then, the repression has continued, targeting independent labor organizations, the so-called "house churches," and dissident movements in national minority areas. The party has again resorted to purges, censorship, and propaganda to ensure its control over the universities, the news media, the government bureaucracy, and the army.

Some of the more promising, if rudimentary, political reforms of the 1980s have also been rolled back. Meetings of national representative bodies, including both the party Central Committee and the National People's Congress, are less lively than in the past. Experiments with contested elections have been largely suspended. Newspapers and magazines no longer publish frank debates on matters of national policy. Above all, genuine political pluralism—defined as the creation of a multiparty political system and the tolerance of independent interest groups—is officially condemned as "bourgeois liberalization."

And yet, despite their best efforts, Chinese leaders have been unable to fully reactivate the mechanisms of political control that were dismantled, or else allowed to decay, during the post-Mao reforms. Attempts to revive interest in Marxist-Leninist ideology, or in the revolutionary heroes of the Maoist era, have been greeted with popular derision. Political study groups for government officials and military training for some college freshmen are having little effect on popular attitudes. Censorship of the Chinese news media is not preventing new information and ideas from flowing into the country through foreign visitors, international radio broadcasts, and foreign periodicals.

Moreover, much of the society is now falling outside Peking's control. The party is simply unable to place members in all the small private and collective businesses that are springing up across the country. As a result, a civil society, largely independent of both the party and the state, is growing rapidly, especially outside the capital. Nor has the central government been able to halt the dispersion of financial authority, and

## **HARRY HARDING**

*Harry Harding is a senior fellow in the Brookings Foreign Policy Studies program. He is the author of A Fragile Relationship: The United States and China since 1972 (Brookings, 1992).*

thus political power, from Peking to the provinces.

In short, although China represents a “harder” form of authoritarianism than it did a few years ago, the Communist party has not been able to recreate the sort of totalitarian political system that still exists in North Korea and Cuba. The state may still be able to suppress dissident political behavior, but it can no longer prevent unorthodox political thoughts. The political liberalization of the 1980s has been stalled, but it has not been fundamentally reversed.

### **The Revival of Economic Reform**

In the months immediately after the Tiananmen crisis the future of the economic system was a matter of intense debate in China. Long-silent conservatives were emboldened to advocate restoring central planning, restricting private economic activity, and even recollectivizing agriculture. To stem the inflationary pressures that had caused such popular discontent in 1988–89 and to cope with the economic sanctions imposed by the West after June 4th, the government reimposed controls over prices, domestic investment, and foreign trade. One consequence was the rapid growth of China’s trade surplus with the United States, as Peking slashed imports while continuing to promote exports.

Within a few months, however, the proposals for reversing reform were decisively rejected, if only because the government no longer has the technical means or the political clout to reimpose central planning and state ownership. In fact, reform is moving forward in several important areas, including ownership, prices, trade, and finance. The private, collective, and foreign sectors of the economy, all of which tend to be responsive to market forces, continue to grow much more rapidly than the state industrial sector. More and more prices are being readjusted or decontrolled, including those of such sensitive commodities as grain and transportation. Subsidies for export industries are being phased out, and the *renminbi* is being steadily depreciated to approach its true market value. Experiments with securities markets, foreign exchange markets, and other financial reforms continue.

The revival of economic reform reflects a fundamental conclusion reached by Chinese leaders since 1989. To ensure political stability, they believe, it is necessary to manage the economy well. And to ensure economic growth, their reasoning continues, it is necessary to promote economic reform. Over the longer run, of course, economic reform will create the new classes of entrepreneurs, managers, and professionals who will eventually demand political change. In the short run, however, the Chinese leadership assumes that economic reform can obviate the need for political liberalization.

Still, despite undeniable progress in many areas, economic reform remains largely stalemated in three critical respects. The central government has not yet been able to create a coherent national tax system, to impose rationality on the banking system, or to subject unprofitable state enterprises to stringent budgetary constraints. These three problems present Chinese leaders with an acute dilemma. To deal with them vigorously could produce turmoil in the cities, where

large numbers of workers in insolvent state factories would be thrown out of work by meaningful financial and enterprise reforms. But failure to address these three issues effectively will produce chronic budget deficits, loose credit, and inflationary pressures. Either way, tougher economic times, and the political unrest that accompanies them, may well lie ahead.

Moreover, the foreign trade reforms adopted since 1989 have removed few of the structural obstacles to American trade and investment in China. Many commodities are still subject to import controls, and some are banned altogether. Many of the regulations governing foreign trade and investment are kept secret from the American business community. American patents and copyrights have received scant protection from the Chinese government. In short, the renewal of economic reform has done little to resolve the most sensitive issues now plaguing the commercial relationship between China and the United States.

### **Objectionable Conduct Abroad**

Many Americans also regard post-Tiananmen China as a rogue regime abroad, exporting weapons of mass destruction to unstable regions, supporting repressive governments, and engaging in unfair trade. China’s harsh criticism of U.S. foreign policy, especially the Bush administration’s call for a “new world order,” has persuaded many Americans that China has again adopted a hostile posture toward the United States. Although an oversimplification, this portrait, too, is based on some troubling realities.

China’s sale of arms abroad, especially the transfer of ballistic missiles to the Middle East, threatens to disrupt the delicate balance of power in sensitive regions. Reports of Chinese assistance to the nuclear programs of various countries, particularly Algeria and Pakistan, remain of great concern to the United States. Peking’s diplomatic support and military assistance to Burma (now named Myanmar by its present leaders) help prop up one of the most repressive regimes in Asia. China’s past backing of the genocidal Khmer Rouge in Cambodia is equally odious.

China’s policies toward Hong Kong and Taiwan are also cause for worry. Although Peking acknowledges its interest in preserving the stability and prosperity of Hong Kong after 1997, when the territory returns to Chinese sovereignty, it clearly objects to the development of pluralistic democratic institutions in Hong Kong and is determined to vet all major decisions made there from now on. And although China has been willing to expand economic and cultural ties across the Taiwan Strait, Peking regularly threatens to use force to deter any movement toward Taiwanese independence, and deploys its diplomatic resources to resist Taipei’s attempts to gain a more active and dignified role in the international community.

Chinese leaders and analysts have also taken a much harsher tone in their discussions of the United States. They warn against U.S. attempts to create a unipolar “new world order” dominated by Washington. They refuse to endorse the American use of force to reverse Iraq’s invasion of Kuwait. They criticize U.S. human rights policy as an attempt to undermine remaining



communist governments. For the first time in years, the Chinese press now refers to American "hegemonism," and even occasionally "imperialism."

Some conservative Chinese leaders have gone so far as to call for a reorientation of China's foreign relations, proposing anti-American alignments with the third world, with the remaining communist states, with Japan, and (until it disintegrated) with the Soviet Union. Others have demanded a cutback in cultural and commercial exchanges with the United States to restrict the channels by which "bourgeois liberalization" can corrupt Chinese society. If adopted, such proposals would set Sino-American relations back more than two decades.

### **Responsible Foreign Behavior**

But these worrisome developments have been only one facet of Chinese foreign policy in the post-Tiananmen era. On a more positive note, Peking has helped promote stability on the Korean peninsula by expanding its own political and economic relations with South Korea, by encouraging Pyongyang to enter the United Nations and resume its dialogue with Seoul, and by working quietly but effectively to persuade North Korea to accept international inspections of its nuclear program. Its past connections with the Khmer Rouge notwithstanding, China has helped broker a comprehensive political settlement in Cambodia and seems willing to accept a decidedly subordinate role for the Khmer Rouge as long as the new Cambodian government remains independent of Vietnam. Peking is also showing interest in the new agenda of international issues, including protecting the environment, combating drug trafficking, and preventing the spread of communicable disease, even though, like other developing countries, it insists that the costs of addressing the problems should be borne primarily by wealthier nations.

Moreover, despite all the internal debate, the general orientation of Chinese foreign policy has remained steady over the past three years. Peking still wants a peaceful and stable international environment, especially in Asia, so that it can continue to allocate the bulk of its national resources to economic modernization. Since 1989, China has established diplomatic relations with Indonesia, Singapore, and Brunei. It has eased strained relations with Mongolia, Vietnam, and India. It continues to build economic and cultural exchanges with Japan, South Korea, and the other members of ASEAN. And, despite its longstanding links with the Palestine Liberation Organization, Peking finally established diplomatic relations with Israel earlier this year, suggesting that China will now be willing to play a more impartial role in discussions of peace in the Middle East.

Similarly, its overheated rhetoric notwithstanding, China has done remarkably little to change its relations with the United States since the Tiananmen crisis. Peking (and, even more, the provincial governments) still actively court American trade and investment. Most academic and cultural exchange programs remain in operation, and more Chinese students and scholars are studying in the United States than ever.

China's policy is not to return to confrontation with the United States, as it did in the 1950s and early 1960s, but rather to persuade Washington to lift its sanctions, restore official contacts, and return to the pre-1989 relationship.

### **Defining the American Response**

What kind of China policy is best suited to these complex circumstances? A return to the euphoria of the 1970s and 1980s is unlikely to be appropriate, even in the era following the death of Deng Xiaoping. Despite widespread hopes for change, China may not see sustained progress toward political liberalization after the octogenarians have left the scene. Instead, it is quite possible that the present combination of economic reform and political authoritarianism will continue for some years to come. Alternatively, the problems that have troubled many other large developing countries—corruption, inequality, demands for provincial autonomy, and pressures from national minorities for self-determination—could provoke social unrest or political repression in China as well. And even if po-

**The state may still be able to suppress dissident political behavior, but it can no longer prevent unorthodox political thoughts.**

litical and economic reforms assuage American concerns with human rights, China and the United States are likely to have different perspectives on a wide range of other bilateral, regional, and global issues. Thus Americans should not base their China policy on the optimistic assumption that the renewal of radical reform, and therefore the congruence of Chinese and American interests, is only a matter of time.

But viewing China with hostility would also be unwise. A diplomatic standoff with China would complicate America's ability to manage the strategic, economic, and environmental issues in which China necessarily plays an important role. A hostile stance toward China would also throw broader U.S. Asia policy into disarray, for America's friends and allies in the region would be highly reluctant to join in an antagonistic posture toward Peking. Preparing for a military confrontation with China would overstretch American resources at a time of rapid retrenchment in our defense budget. As long as China refrains from hostility toward the United States, there is no reason for the

United States to take an adversarial posture toward China.

Redesigning American policy toward China also requires an accurate assessment of China's role in the world. In the past, Americans have tended to exaggerate China's significance, regarding it variously as the center of a dangerous worldwide revolutionary movement, as a limitless market for American exports, or the trump card to play in our global competition with the Soviet Union. Now, the tendency may be to denigrate China, overlooking the importance of its huge population, its strategic location, its rapidly growing economy, its massive ecological problems, its sizable military, its nuclear weapons, and its permanent seat on the United Nations Security Council. On almost all pressing international issues, China has the ability to make matters marginally better or considerably worse. Such a country cannot be treated with benign neglect.

A more realistic approach toward China would begin with an appreciation of the full range of American interests at stake. The United States cannot focus exclusively on any single objective, whether regional stability,

from those of the United States. The different ideologies, historical backgrounds, and cultural traditions of the two countries will continuously cause friction, especially over human rights. Seeing China either as a "friend" or a "foe" of the United States in these circumstances would be equally unrealistic.

The most appropriate U.S. strategy in such circumstances is to collaborate with Peking whenever possible, on those issues where U.S. and Chinese interests coincide. Preventing nuclear proliferation on the Korean peninsula, reducing tensions between Pyongyang and Seoul, ensuring the implementation of the Cambodian peace accords, and developing regional economic institutions that include both China and the United States are all issues that invite cooperation.

Conversely, when U.S. and Chinese interests diverge, as they do on bilateral commercial relations, human rights, and China's transfer of military technology abroad, it will be necessary to do some hard bargaining, offering Peking both incentives and disincentives to redefine its policies in keeping with American interests. Those incentives and disincentives, in turn, should usually be the same as those that the United States applies to other countries in comparable circumstances. And the disincentives need to be carefully designed to ensure that they do not inadvertently harm one set of U.S. interests while promoting another.

Advancing American interests through hard bargaining requires constant engagement of U.S. and Chinese officials, at both the leadership and working levels. Ceremonial summit meetings may not be appropriate until China further improves its record on human rights and proliferation. But frequent dialogue just below the summit is necessary on the full range of issues confronting the two countries. In particular, it is time for the United States to resume contact with the Chinese defense establishment to ensure China's compliance with the emerging international norms against the proliferation of weapons of mass destruction.

Finally, in discussing such issues as human rights, trade, and weapons transfers, the United States should make clear that it is seeking Peking's compliance with established international norms and standards, rather than forcing it to accept unilateral American preferences. When sanctions are necessary, they will be more effective if they are imposed and implemented in a multilateral fashion, so that they reflect the common judgment of the international community rather than the opinion of the United States alone.

### **The Evolution of Policy after Tiananmen**

For the first 18 months after the tragic incident in Tiananmen Square, the United States undertook policies quite different from those just outlined. After imposing a series of diplomatic, economic, and military sanctions against China in June 1989, the White House tried to resolve the crisis in Sino-American relations by swapping concessions with Peking, hoping that a more accommodative American posture would evoke comparable Chinese gestures in return. Unfortunately, Chinese leaders may well have interpreted the administration's conciliatory policy as a sign of weakness. Their tepid response, particularly on human rights is-

## **Peking's most-favored-nation status should be maintained unless there is a drastic deterioration in the situation in China.**

human rights, commercial advantage, environmental protection, or a peaceful and prosperous future for Hong Kong and Taiwan. Rather, it must pursue all these interests simultaneously. As a corollary, China policy must not be monopolized by any single interest group—not labor unions trying to protect American jobs, American corporations seeking better access to the Chinese market, or even overseas Chinese student organizations promoting human rights back home.

On virtually all these issues, China's interests will partly converge with, and partly diverge from, those of the United States. Both nations want stability in Asia, but they view important regional issues differently, and China has territorial disputes with many countries friendly to the United States. China and the United States have complementary economies, but the specific terms of trade and investment are irritants to both. China seems willing to participate in the international regimes that govern world economic, environmental, and security issues, but as a large developing country its perspectives on many questions differ



sues, soon created the impression in the United States that the White House was “kowtowing” to a brutal leadership in Peking.

Congress has attempted to mandate a tougher line, through the threat to deny China’s most-favored-nation status unless Peking accepts a long list of American demands on issues ranging from human rights to trade policy. But linking every issue to a single sanction—the denial of most-favored-nation status—deprives the United States of the flexibility it needs to deal with a complex China. Moreover, actually withdrawing China’s most-favored-nation treatment would threaten several important U.S. interests, including economic liberalization in China, prosperity for Hong Kong and Taiwan, and Chinese cooperation on global and regional issues. It would also provide an ideal pretext for Chinese leaders to restrict the academic and exchange programs through which new ideas and values enter the country, and to crack down on intellectuals with links to the United States.

Since last spring, the Bush administration has quietly changed course and adopted a new China policy in keeping with the strategy recommended above. It has enforced laws against false labeling of Chinese textiles and against the import of convict labor products. It has threatened the sanctions authorized by section 301 of the 1988 Trade Act to seek better protection for intellectual property and better access to the Chinese market. It has tightened restrictions on technology transfer to China, as a way of persuading Peking to honor international norms restricting the export of nuclear materials, ballistic missiles, and other weapons of mass destruction. It has promoted human rights in China by steady diplomatic pressure and by sustaining most sanctions put in place in June 1989.

### **The China Policy No One Knows**

This strategy has begun to achieve results. China has agreed to ratify the nuclear nonproliferation treaty, to abide by emerging international rules governing the export of ballistic missiles, and to participate in negotiations limiting arms sales to the Middle East. It has promised to ban the export of commodities manufactured by prison labor, to halt the false labeling of textiles, and to better protect American intellectual property. In the area of human rights, less progress has been achieved. But even here China has released some political prisoners, accounted for others, and allowed relatives of dissidents in exile to join their families abroad.

None of these initiatives has completely solved the issues dividing the two countries. Peking’s willingness to comply with its promises, particularly in the area of arms sales abroad, must be carefully monitored and verified. Washington will have to move skillfully, relaxing sanctions when there is real progress, keeping the pressure on when there is not, and even retaliating when there is backsliding or deceit on the part of Peking. But the overall pattern suggests that a policy of graduated pressure can achieve results and that China is willing to make concessions to preserve its relationship with the United States.

Unfortunately, the Bush administration’s new strategy toward China has not been adequately publicized.

The only systematic explanation is contained in a letter from the president to Senator Max Baucus (D.-Mont.), written at the height of congressional debate over China’s most-favored-nation status last July, that has not been widely circulated. The White House may have expended so much capital on its earlier, less successful policy that it feels it has little left to invest in its newer, more appropriate strategy, particularly in an election year. Or it may be reluctant to admit that the earlier policy of swapping concessions failed and that it has been forced to take a tougher approach.

Whatever the explanation, the administration’s failure to articulate its new China policy clearly and persuasively is a continuing handicap. For one thing, it makes it difficult for the White House to relax economic sanctions or restore high-level contacts with China, both crucial elements in the array of incentives and disincentives needed to deal with Peking. Many in Congress and the media associate such steps with the disastrous visit by National Security Adviser Brent Scowcroft six months after the Tiananmen crisis, when photographs of Scowcroft raising a champagne glass to toast his Chinese hosts earned Bush the fury of the U.S. press and public. The administration has not yet made the obvious but crucial case that positive gestures can be part of a tough-minded policy, not just an accommodative one.

Equally important, in the absence of a domestic consensus over its China policy, the White House faces a draining annual debate over the future of China’s most-favored-nation status. Thus far, the administration has been able to secure enough votes in the Senate to prevent the outright withdrawal of Peking’s most-favored-nation status, or the attachment of conditions to its renewal. But the failure to resolve this issue makes Sino-American ties much more fragile than they should be, and constantly threatens to drive the relationship into confrontation.

The time has come to break the deadlock on U.S. China policy. The Bush administration has finally begun to formulate a tough-minded strategy that fits the complex realities of China. But having a good policy in a vest pocket is not enough. The administration must show its cards and work with responsible members of Congress to rebuild the domestic consensus that was shattered by the crisis in Tiananmen Square.

A key element in forging that new consensus will be to conclude the debate over China’s most-favored-nation status. The administration should accept broadly worded legislation that requires an annual assessment of China’s domestic developments and international behavior before Peking’s most-favored-nation status can be renewed. The congressional leadership should acknowledge that the revocation of normal trade treatment for China would be counterproductive under present circumstances, and that Peking’s most-favored-nation status should therefore be maintained unless there is a drastic deterioration in the situation in China. Then, both the executive and legislative branches should work together to develop the more focused policy instruments that offer the best chance of resolving the difficult issues at stake in Sino-American relations. ■

# JAPAN IN A NEW KIND OF

*Edward J.  
Lincoln*

When President Bush traveled to Tokyo at the end of his Asia trip last January, he cast himself as a salesman for American products, calling for "jobs, jobs, jobs." Continuing the effort to make Japan a more open market for foreign products is a laudable goal. But the style of the Tokyo meetings, their focus on the auto industry, and Prime Minister Miyazawa's comments on the sickly state of the U.S. economy led to an impression of failure and rising antagonism between these two major nations.

The sense of failure is unfortunate. The end of the Cold War has made it imperative for the United States to rethink its long-term strategies worldwide. Especially important is the need to reassess its relations with Japan, whose international economic stature continues to grow.

The collapse of the Soviet threat and Japan's international economic prominence underscore Japan's unique position in the world as an economic giant and a military pygmy. Many U.S. observers are critical of Japan's unusual dual role and consider it an aberration that cannot continue. I would argue, however, that Japan sets a radically new pattern for major nation states that the United States should do its best to foster. How Japan chooses to interact with the world is up to the Japanese people and their government. But the United States can and should encourage Japan to continue to develop as the paradox it has already become—a nonmilitary world power.

## **National Interest**

As an advanced industrial nation, Japan has basically the same needs as others: a reasonably secure supply of essential raw materials and the continued willingness of other countries to buy its exports and accept its capital investments.

Raw material dependency has long been recognized as a critical Japanese interest, although too much has been made of Japan's high depen-

dence on imported raw materials relative to the United States. All nations are dependent on imported raw materials, and Japan is not much more dependent on them than some European nations (such as Germany). Nevertheless, resource dependence is real, the Japanese are well aware of it, and they recognize the vulnerability that it brings to the nation.

Just as important as a secure supply of raw materials is the willingness of other nations to accept Japanese exports. To pay for its raw materials, Japan must export, and it has nothing to sell but manufactured goods. Japan is not unusually dependent on exports. In 1990 the ratio of exports to GNP was 10 percent in Japan, somewhat higher than it was in the United States (7 percent), but considerably lower than it was in the European nations or in many of Japan's Asian neighbors. Nevertheless, an international system enabling Japan to export successfully is of critical importance to the nation.

The final interest—foreign investment—is new and represents an epochal change for Japan. From the end of World War II to the beginning of the 1980s, Japanese firms and individuals were only minor investors around the world. During the 1980s Japan exploded onto the scene of global investment, becoming one of the

# THE 1990S WORLD POWER

world's largest owners of foreign assets. The nominal value of foreign assets owned by Japanese nationals, as recorded in the balance-of-payments statistics, rose from \$150 billion in 1980 to \$1.9 trillion by 1990—more than a tenfold increase. Even though the flow of new investment from Japan to the rest of the world has diminished somewhat from the feverish pace of the late 1980s, this cumulative total is now very high, and some flow will continue. National interest, therefore, lies in protecting the security of existing investments and convincing the world to accept more.

In contrast to the United States, Japan is unlikely to push large ideological or moral issues as part of its national interest. Even though Japan announced last year a set of principles, including human rights and the level of military spending, to guide the distribution of foreign aid, it seems doubtful that such concepts will have any real importance in Japanese foreign policy independent of the more direct economic interests.

The only moral crusades the Japanese are likely to launch in the 1990s involve international environmentalism and encouraging socialist countries to adopt mar-

ket economies, both of which are related to Japanese trade and investment interests.

Some would have us believe that Japan's national interest is broader and more sinister. But charges that Japan is attempting to control global production are far fetched. It is more accurate to speak of Japan's international economic power as accidental or unintended.

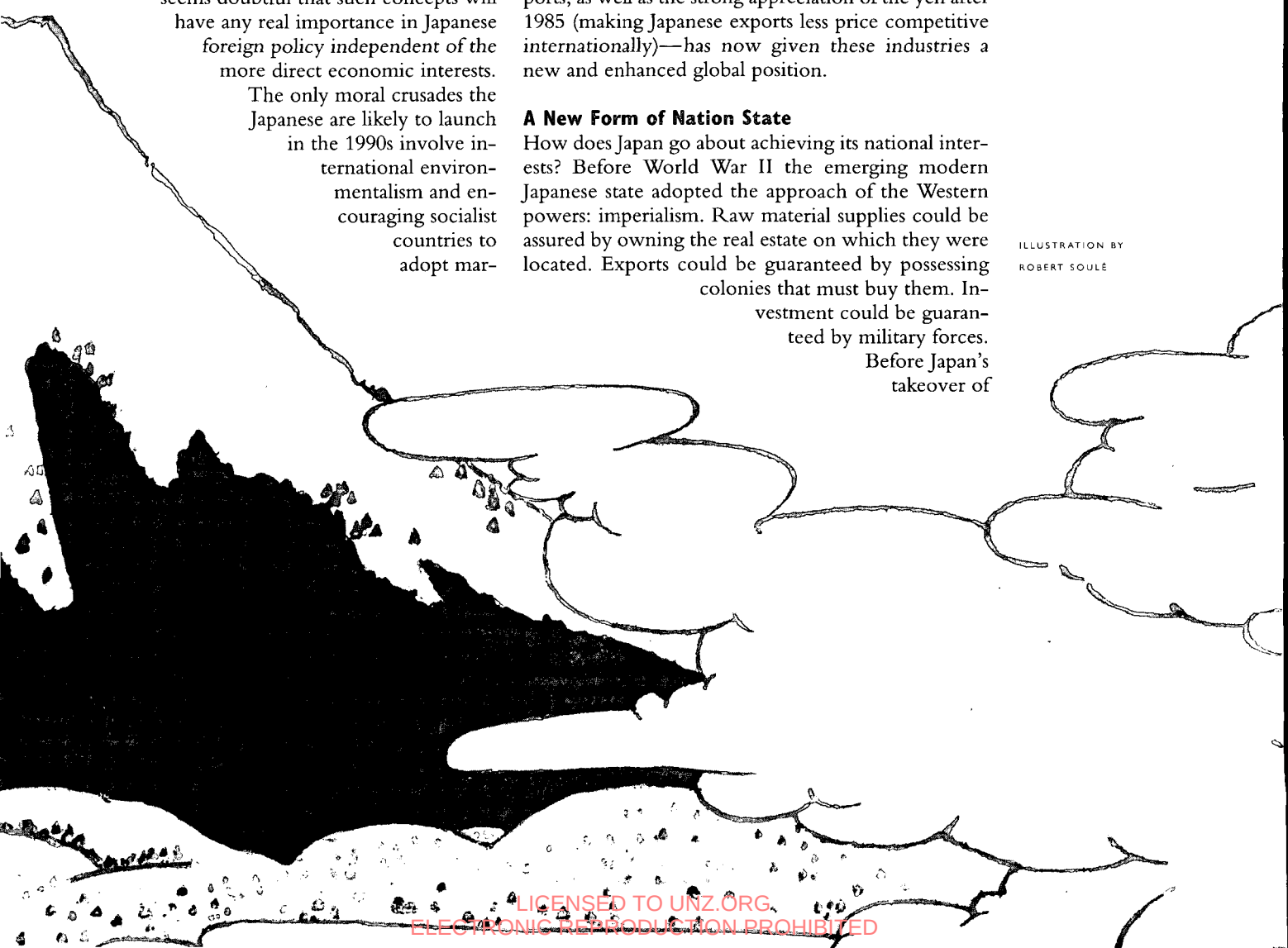
An insular nation that was satisfied when others left it alone (and that erected trade and investment barriers to accomplish that goal in the earlier postwar period), the Japanese do not seem motivated by any strong desire to dominate internationally. Protectionism at home coupled with competitive domestic industries thrust some Japanese industries (automobiles being a prime example) into leading global positions, and the new wave of investment—caused by perceptions of real or potential protectionist barriers to Japanese exports, as well as the strong appreciation of the yen after 1985 (making Japanese exports less price competitive internationally)—has now given these industries a new and enhanced global position.

## A New Form of Nation State

How does Japan go about achieving its national interests? Before World War II the emerging modern Japanese state adopted the approach of the Western powers: imperialism. Raw material supplies could be assured by owning the real estate on which they were located. Exports could be guaranteed by possessing colonies that must buy them. Investment could be guaranteed by military forces. Before Japan's takeover of

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ILLUSTRATION BY  
ROBERT SOULE





Manchuria in 1931, for example, Japanese troops were a strong presence in the area to protect the Japanese-owned South Manchurian Railway.

In the postwar era Japan has not had recourse to military or imperialistic options. Yet it has prospered beyond anyone's wildest dreams. Japan has not rescued hostages, protected threatened assets owned by Japanese companies, fought against communist insurgents in developing countries, or even protected its sea lanes. In all cases business and government have learned to cope very successfully. Japan has negotiated its way out of most international problems and learned to live with (or financially insure against) international loss rather than use military force.

Imported raw material dependency spawned a variety of policy responses: diversifying sources of foreign supply, investing directly in supply sources, conserving resources, substituting alternative materials, providing generous foreign aid to supplier nations, and minimizing antagonism on the part of suppliers by careful diplomacy. The policies have not worked perfectly. Providing aid and investment to Iraq, for example, did not prevent the Iraqis from bombing a large Japanese-owned petrochemical complex in Iran during the Iran-Iraq war. But all policies have their failures, and overall the Japanese approach to raw material security has worked well. By the end of the 1980s little of the anxiety about raw material vulnerability felt by the Japanese public in the wake of the 1973 oil crisis was evident.

The need to export manufactured goods led Japan to become a member of the General Agreement on Tariffs and Trade (GATT) in the 1950s. Although Japan has continued to resist the market-opening measures that are a hallmark of GATT, Japan's government and business well understand the need to belong to the system. If Japan can get away with belonging to the system while maintaining relatively closed markets at home, it will certainly do so. But the need it feels to preserve the GATT is a real force for reducing protectionism at home.

Securing investment has also spawned nonmilitary approaches. To some extent, the government has subsidized the insurance of foreign investments through its Export-Import Bank, which, for example, provided coverage for the ill-fated petrochemical plant in Iran. It is probably no accident that a Japanese businessman was named a few years ago to head the World Bank's new Multilateral Investment Guarantee Agency—an insurance fund financed by the developing countries themselves. To a degree unknown in the United States, the Japanese government also works with industry to influence its behavior abroad to reduce problems and minimize the danger of nationalization or restrictions on further investment.

It is frequently said that the ultimate guarantor of Japan's economic interests is the U.S. military. The argument is that by maintaining peace, keeping troops in Japan to reduce regional anxieties about a revival of Japanese militarism, and providing security of international sea lanes, the United States has provided the implicit military backup to make Japanese nonmilitary policies successful. This argument has some merit when

applied to the earlier postwar period; the American presence as a regional policeman did help assure the emergence of a fairly stable and peaceful environment in Asia from the chaos of the Second World War. But that interpretation hardly seems relevant today.

Does the U.S. Navy, for example, really guarantee open seas? A worst-case scenario might be closure of the Molucca Straits by the nations bordering it. Such a closure would certainly be inconvenient, but Japanese vessels could easily be rerouted, either farther south toward Australia or even the other direction around the globe. Transportation costs would be higher, but not disastrously so, and the Japanese would willingly pay them. Meanwhile, the Japanese government showers some of the countries in this strategic location with foreign aid, at least modestly reducing the danger of such a worst-case scenario becoming reality. Indonesia, for example, receives more than \$1 billion a year in economic aid from Japan (compared with a minuscule \$30 million from the United States) because of its strategic geographical location and its role as a major raw material supplier to Japan.

The recent Persian Gulf war may have been an example of the kind of international police action that will be necessary in the future, leaving the question of whether it is fair for the Japanese not to participate militarily. But such actions will be infrequent, and the Japanese are likely to contribute far more to minimizing their occurrence than to resolving them militarily.

If the Japanese public were fully comfortable with exercising a broad military role in the world, I might have fewer misgivings. But the Japanese themselves are doubtful about such a role because of the deep psychological scars left by the 1930s and 1940s. The issue of Japanese military participation in the world is being pushed in Japan now by right-wing political forces. If that makes the Japanese public uneasy about controlling the military, it should make us uneasy as well.

Japan today is a prototype of the desirable nation state of the future. Military force has no legitimate role except in a purely defensive posture. Economic security comes from the combination of the sort of domestic economic policies already outlined and an international institutional framework to reduce risk from capricious behavior of other states. Japan's mercantilist behavior in the context of the GATT system is certainly a cause for concern, but overall it is a thoroughly peaceful state that lacks an ability to project military power abroad and that recognizes the legitimacy of an international economic institutional framework. We should encourage it to remain that way.

### **Economic Giant: Aggravating but Essential**

Japan's economic behavior is not without its problems. While needing a relatively open international trading system to secure its prosperity and growth, Japan has irritated its trading partners by remaining relatively closed itself. Over the postwar period, falling trade barriers led broadly to greater manufactured import penetration in other countries, but not in Japan. Furthermore, the negotiating posture of the Japanese government remained one of stubborn resistance to trade liberalization despite the nation's status as a leading in-

dustrial nation with large trade surpluses. That posture undermines the system by diminishing the commitment of other nations—and the United States in particular—to liberal trade principles (as explored in the *Brookings Review* recently by Robert Lawrence).

Presumably the January 1992 Tokyo summit meeting was intended to push Japan in a more open direction. The focus on the auto industry was a poor way to address the issue because the problem in that industry is twofold: both limited access to Japanese markets and failures in quality and design on the American side. Emphasizing the auto industry played to the Japanese sense that they are being asked to help an ailing United States—not a productive attitude to underwrite a continuing expansion of imports in Japan.

Nevertheless, the record of the meetings is not entirely bleak. The immediate need, in constructing a stronger international economic framework for the post-Cold War world, is to bring the multilateral round of trade negotiations in the GATT—the Uruguay round—to a successful conclusion. That goal is especially important to the United States, which needs to foster more open markets as part of its effort to reduce its continuing trade deficits. The sticking point among the major industrial nations is agricultural protection, and as part of a satisfactory solution, Japan is under strong pressure to end its total ban on rice imports. Although the word “rice” was not uttered at the Tokyo meetings, considerable progress was made in getting the Japanese government to take this final step. Progress by Japan on rice also makes it much more difficult for the Europeans to hold out on agriculture. Thus progress on this issue has a significance far beyond the possibility of sales and jobs for Americans.

Furthermore, the two nations agreed at the summit to continue the Structural Impediments Initiative, a bilateral series of meetings or negotiations that has provided a forum to deal with thorny structural issues affecting market access. Some of these issues, such as the weak status of antitrust enforcement in Japan relative to that in the United States, go beyond traditional trade negotiations, but need to be discussed if the United States and Japan are to forge stronger trade and investment linkages.

Much of the dialogue on trade over the past decade has been angry, and some industries in the United States have moved in a protectionist direction, with the auto industry a prime example. But however difficult and contentious the negotiations, the United States must remain heavily engaged economically with Japan. Japan is now at the world technological frontier in a variety of important industries (automobiles, robotics, and consumer electronics among them) in both product design and manufacturing processes. It would be foolish to limit U.S. access to Japanese products or to impede Japanese investment in the United States in industries manufacturing those products. We need to ensure that American productivity benefits from access to products and technology in those areas where Japan has the lead. Protectionism only opens the door to continued Japanese gains in those industries, benefiting Japan and other countries while the United States falls behind. If we want an American presence in

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these industries, the focus of our policy must be on making domestic firms competitive, not on limiting competition from the world's technology driver.

Tough pressure on Japan to become a more open economy should continue, but should not be allowed to spill over into a general rise in protectionism. During the Cold War, the assumption was that the U.S. strategic need for Japan as an ally kept trade disputes from spinning out of control. Now the economic need for Japan should do the same. Japan faces a similar constraint. As much as the notion of a sick America may resonate with the popular press in Japan, government and business recognize that they need American goods, technology, and markets to maintain their economic well-being. The United States is still the world technology driver in a number of industries, including computers and aerospace. Neither country's government should allow emotion to undermine a long-term commitment to close economic ties. Occasional lapses, as represented by the specific purchase targets for autos and auto parts agreed to at the summit, may be unavoidable if other means fail to provide greater market access, but such developments should not be made the centerpiece of the bilateral agenda.

#### **A Force in World Affairs**

In no way is it in either the American or the Japanese interest to encourage the international projection of Japanese military force. The informal efforts of the U.S. government to move Japan in this direction during the Persian Gulf war were a serious mistake. As long as the Japanese can achieve their own national interests through nonmilitary means, they have no legitimate need to alter their past strictly defensive military posture.

Burden sharing is a persuasive argument for Japanese involvement of some sort in world affairs, but it need not be military. During the Gulf war, the Japanese met their perceived burden through a very large financial contribution, and discovered to their chagrin that money does not buy respect. Some of those in Japan who argue for military participation in world affairs have tried to capitalize on that chagrin: money alone is insufficient, so Japan must supply military forces. But that argument ignores other options.

Japan can participate in international security issues in a number of important nonmilitary ways. The United States could encourage Japan to play a higher-profile diplomatic role. Prime Minister Kaifu, for example, canceled a trip to the Middle East that had been scheduled for August 1990, less than three weeks after the Iraqi invasion of Kuwait. That trip could have been used as an opportunity to play a diplomatic role. Even without military options or potential arms sales, Japan is in a position to exercise influence through trade, investment, and foreign aid. These levers may not always work, but they are worth using. Japan has played a behind-the-scenes role of this sort on some international issues (including Burma) in cooperation with the United States, but this involvement can and should be expanded.

As a formal matter, the United States should support Japanese efforts to gain a permanent seat on the

*The Japanese super state has  
arrived, and it is quite different  
from most other great nation states  
the world has known.*



United Nations Security Council. Other nations may feel an understandable sense of unfairness at granting a seat to a state that will not send soldiers abroad for combat purposes, but decisions of that severity are extremely rare, and Japan should be in the mainstream of devising nonmilitary responses to international crises.

Making tough decisions as a permanent member of the Security Council could be difficult for the Japanese government, both because of its postwar legacy of neutrality in international conflicts and because of structural and cultural obstacles to reaching quick decisions when minority domestic constituencies are opposed. But the responsibility of being a permanent member of the Council might lead the Japanese government to think more seriously about such crises, rather than sitting on the sidelines waiting for others to act. At the beginning of the Gulf crisis, the Japanese government treated the Security Council as an outside force; it was willing to obey decisions on sanctions against Iraq, but was afraid to express an opinion of its own. Not only should Japan not be allowed the luxury of being an outsider to the tough decisions, it could well prove to be a voice of moderation in formulating United Nations policy in a post-Cold War era.

### **A New Model Army**

Japan should also be encouraged to move toward a far more active role in international humanitarian activities. The nation already has a large and well-financed domestic Red Cross organization and a modest Peace Corps-like organization that supplies experts to developing countries. It can and should do much more. Had villages of refugee tents, hospitals, and medical centers sporting Japanese flags sprung up quickly in Jordan and Saudi Arabia in August 1990, the Japanese government would have had the moral high ground in defending itself against pressures to send soldiers to fight in the Gulf war.

Self Defense Force troops were targeted to fulfill some of these humanitarian functions under the legislation that was defeated in the fall of 1990. But absolutely no legitimate reason exists why humanitarian activities of this sort must be conducted by the Self Defense Force. Japan should establish a sizable standing, uniformed, civilian force that can be dispatched abroad for a wide variety of missions: refugee work, natural disaster relief, and public health training in developing nations. The government has made small and tentative steps in this direction, and a few teams have been dispatched abroad (including one small hospital opened last April for Kurdish refugees in northern Iran). American encouragement for Japan to proceed much further would build on these tentative steps and should receive support from those broad elements of Japanese society that recognize the need to play a larger international role, but that are firmly opposed to efforts to twist that role into an excuse to send soldiers.

Pursuing such a policy now is critically important. Security tensions in Asia are diminishing drastically. The Soviet threat has evaporated; the long nightmare in Cambodia may be coming to an end; Vietnam is desperate to move back into the mainstream of international relations and to reform its economy with for-

eign help; and even North Korea is moving in a direction that should significantly reduce tensions on the Korean peninsula over the course of this decade. In this environment, the need for positioning American troops in Asia could diminish drastically over the next decade. In a recent article in *Foreign Affairs*, former Assistant Secretary of State for East Asia Richard Holbrooke has gone so far as to suggest that all American troops in Asia could be pulled out by the turn of the century.

The existence of a sizable and respected Japanese humanitarian force could prove useful during the period when U.S. troop levels in Asia are being reduced or eliminated. First, it would provide the Japanese with a positive role and would thus diminish their perception of a need to play a stronger military role. And second, it would reassure Japan's neighbors of its long-term commitment to peace. Instead, the Tokyo summit offered up the sorry spectacle of the Japanese government essentially bribing the United States to maintain troop levels in Japan by offering to increase once again its level of financial support for those bases—an approach that only postpones the day of reckoning when Japan must make up its mind about what sort of role to play without the luxury of American troops on its soil.

A number of Japanese officials and writers have suggested a form of burden sharing in which the United States continues to play the dominant global military role, while Japan makes its contribution through foreign economic aid. Financial support for developing countries can indeed be used to lessen the possibility of internal or regional conflicts, and in that sense represents a nonmilitary contribution to international security. But that sharp separation of roles plays to past Japanese mercantilist tendencies: foreign aid does (and will) lead to enhanced Japanese business opportunities in recipient countries. It is critical that Japan adopt some way to participate in the world that cannot be interpreted by other nations as self-serving or mercantilistic. A higher profile in shaping the tough decisions at the United Nations and a large, highly visible humanitarian effort abroad accomplish those goals.

### **The Japanese Super State**

More than 20 years ago, Herman Kahn wrote about the Japanese "super state," and people laughed. Today no one is laughing. The Japanese super state has arrived, and it is quite different from most other great nation states the world has known. As continued economic success, rising trade, and overseas investment draw the Japanese more heavily into world affairs, we need to rethink and redefine American foreign policy to accommodate Japan as a true global partner and power.

Nothing in Japan is changing so rapidly that a botched bilateral summit meeting represents a critical failure. But the Tokyo summit was certainly a missed opportunity to begin defining a new relationship. Pushing Japan in the directions outlined here would provide a strong basis for a close U.S.-Japanese relationship in the future and promote a peaceful and stable global environment. ■

# TERM LIMITS *and the* IMMORTAL CONGRESS

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## *How to Make Congressional Elections Competitive Again*

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*Bill Frenzel, a guest scholar in the Brookings Governmental Studies program, retired from the U.S. House of Representatives voluntarily in January 1991. He introduced his first term limits bill in 1971.*

The idea of limiting the number of terms a member of Congress may serve has been rattling around since the Constitution was a gleam in the eye of the framers. But until 1990 it was just another idea whose time had not come.

In 1990 California, Colorado, and Oklahoma all passed referendums providing severe term limits on their state legislatures. One of them, Colorado, also set limits on the terms of its representatives in the U.S. Congress. Only in California, where ballot initiative contests have become a major contact sport, was there any real resistance. There a well-organized \$5 million opposition campaign kept the vote close. In the two other states, term limits was a runaway winner.

The referendums were a stentorian wake-up call for state and federal legislators who had slumbered through earlier warnings and who had somehow failed to notice that their collective popular approval rating had sunk to levels usually reserved for used car salesmen. For some time, polls had been showing strong popular support for term limits. Nearly a year before the 1990 election one poll had shown 70 percent support running uniformly through regions, parties, sexes, and ages.

With latent enthusiasm for term limits ignited across the country, fledgling state term limits movements arose. They quickly became active everywhere, hyperactive in states that provide for ballot access for initiatives. Term limit bills were introduced in most states, and campaigns got under way in most of the initiative states.

Then last November a funny thing happened. Term limits suffered an unexpected, serious setback. The voters of Washington state defeated a ballot initiative with retrospective effect that would have limited congressional service almost immediately. Opposition forces, thought to be disheartened by unpleasant publicity about the lax personal banking habits of U.S. House members, rallied under the leadership of House Speaker Tom Foley, himself a Washingtonian, to defeat the initiative.

The Washington initiative proved that the term limits juggernaut was not irresistible. It gave the counterforces strong momentum going into the 1992 elections, which are expected to produce about a dozen initiatives. But the term limits forces are still powerful. With both sides gearing up, 1992 is certain to be a lively election year.

### **Incumbent Reelection Success**

The appeal of term limits, most often proposed as a limit of 12 years, springs from the extraordinarily high, and rising, reelection rates of congressional incumbents. Historically, U.S. House incumbents have never had much trouble getting reelected, but from the middle of the nineteenth century, the reelection rate has crept up steadily to its current average of better than 94 percent in the past ten elections and better than 97 percent in the past three elections.

Until 1914 senators were spared the indignity of elections. Since then they have generally done less well than House members. Even so, their increasing success has produced a reelection rate of better than 88

percent in the past five elections and an astounding 97 percent in the last election. Congress has become almost immortal.

Winning margins are increasing too. Nowadays most members of Congress face only token opposition, if any. In 1990 only one in twenty races for U.S. House seats could be described as competitive—that is, with a winning margin of less than 4 percent. That year four out of five House incumbents got more than 60 percent of the votes in their districts. Sixty-nine incumbents, or 16 percent, had either no major party opposition or no opposition at all. Four senators (12 percent) were so blessed.

The growing victory margins mean that reelection rates have not peaked yet. It is impossible to break the House record of 1792, when 100 percent of House incumbents who sought reelection were successful (thankfully, 37 percent did not run), but we are headed in that direction. Meanwhile, challengers are not stupid. As long as they know 97 percent of them will lose, their campaigns will be token. Good challengers simply will not file. They know the odds are better at Las Vegas.

Accountability is the heart of our system. Yet the 97 percent success rate has decimated congressional accountability. In days of yore, when members of Congress went home to face the voters, some of them would face the music. The music has stopped. The principal check and balance on the House was its election contests. Today there are no contests.

### Congressional Turnover

Election defeats have always represented the smallest fraction of congressional turnover. In the first 100 years of our republic, House reelection rates were in the 70–90 percent range, but a quarter to a half of all incumbents did not seek reelection. That high rate of voluntary retirement kept total turnover in the 40–50 percent range. Each new House was about half rookie and half veteran. By the turn of the century retirement turnover had already declined to about 15 percent, and it continued to decline thereafter. In the past four elections, retirement turnover averaged about 31 members, about 7 percent. Total House turnover, including election defeats, was about 10 percent, an historic low.

In the Senate, retirement turnover is even lower. Senators must love their jobs. On average, over the past five elections, about four senators retired. Last year one retired. Total turnover for the Senate, including election defeats, over the past five elections was about 8 percent. For 1990 it was 2 percent.

The turnover that supplied vitality and inhibited rigidity in the early days of the House is gone, a victim of the incentives of the seniority system, and, more recently, of sure-fire reelection.

### Declining Voter Participation

In 1990 the United States held an election party, but only one-third of the voting age population showed up. One-half showed up for the presidential election of 1988. Both those figures are the lowest in 60 years, and voting participation has been headed down for the past 30 years. The drop has come at a time when the



*Rep. Foley — 28th year*





*Sen. Simpson — 14th year*

United States and the individual states have made substantial efforts to lower barriers to voting (the Voting Rights Act, improved registration systems, better access to voting sites, absentee ballots, lowering the voting age to 18).

Even Americans who can tolerate 97 percent reelection rates with high voter turnout blanch when they understand that Congress is being immortalized by one-third of the eligible voters. As long as reelection certainty is being sustained by a small and declining fraction of the voters, protests are inevitable.

### **The Term Limits Protagonists**

In the states, proponents of term limits belong to all parties and to none. They are liberal and conservative, often close to the ends of the spectrum. They are bound together by the common feeling that they are outsiders, estranged from a system that is rigged against them.

The opponents of term limits are easier to identify. They are the ins and their friends—incumbents, staff, lobbyists, and close observers. They have a stake in the present system or know it and are comfortable with it. They do not believe “their” system is broken, and they see dangers in fixing it.

Congressmen and ex-congressmen, by huge margins, oppose term limits regardless of party affiliation. (A few former members of Congress dot the letterheads of national term limits groups, but they are overwhelmed by the long, prestigious lists of opponents.) A powerful opposition force, the group was an idle resource until awakened by the Foley campaign in Washington state.

If one believes party platforms, Republicans are for term limits. A canvass of GOP members of Congress, past and present, however, would reveal little fidelity to that platform. In the states, some Republicans think that term limits might make their party a majority in the legislatures. Even so, party activity has not been encouraged by Republican members of Congress.

Although polls generally show equal ratios of Democrats and Republicans opposing and supporting term limits, the Democratic party actively and officially opposed initiatives in California and Washington. It may not believe that control of the legislatures will change, but, as the majority party, it sees no reason to take either the trouble or the risk to find out.

### **Arguments Pro and Con**

Enthusiasm often overwhelms reason on both sides of the term limits debate. Much of the campaign rhetoric is speculative. Some of it is specious. Those who favor term limits claim miraculous powers for it. Those who oppose it see in it the demise of the republic.

Reasonable people are probably not going to be persuaded that term limits is the magic bullet that will produce smarter congressmen, better ideas, improved oversight, a balanced budget, or affordable health care, or that it will put “our” side (either liberal or conservative) in control of Congress. Neither are they likely to be convinced by counterarguments that the present system provides ample challenger opportunity, that there is insufficient talent in the United States to ser-

vice higher turnover, that incumbents are the only ones who can do the job, or that legislative rookies will be pushovers for staff, lobbyists, and bureaucrats.

The simple, essential reason for congressional term limits is to unrig a rigged system, end automatic reelection, and make Congress mortal again.

Many Americans cling to the now lost idea of the citizen-legislator. Term limits can't completely recreate this extinct creature. But it will take us a couple of paces backward and away from the professional congressman-for-life. It will also allow more citizens to serve in Congress, and it could reduce some of the advantages of incumbency, even during the 12-year term.

Predicting the inner workings of Congress is highly speculative, but, at the least, the seniority system will be truncated and weakened by term limits. At best, it may yield to another system that could provide more equal opportunities for leadership for all members and less entrenched regionalism.

Known retirement dates would allow challengers to get their affairs in order and plan their campaigns in advance. That would mean better campaigns, better candidates, and more competition. Incumbents could continue to give themselves more reelection insurance in the form of greater perks and new campaign laws, but competition cannot get worse. If it improves, accountability will also improve.

Voter participation is a complicated subject, but more competition ought to improve it too. Congressional term limits would also restore balance to our system by extending to the legislative branch the noble precedent of term limits applied by the 22nd Amendment to the executive branch only. Both branches need limits.

With less career time to be consumed with the petty details of legislative work and less time to ponder the defense of turf, Congress may begin to look at the forest again, rather than each leaf. The now-compelling urge to micro-manage and extend one's own power and programs far past their usefulness to the republic will be reduced.

Perhaps the essential objection to term limits is that it restricts voter choice. For the purist, that will be a problem, but, alas, there are few purists in politics. A 12-year limit is surely a tiny restriction. The Constitution already contains three other small restrictions on voting for Congress, as well as the presidential term limit. Congressional term limits would be a mere scratch on the body politic compared with the running sore of current congressional immortality.

Opponents worry that Congress will lose good members. It will. But it will also gain good members. All the titans of Congress were pea-green freshmen once. They were good when they got there. Experience (seniority) did not make them smarter. It just gave them more staff and made them harder to say no to. There is plenty of talent that can't get to Congress under the present rules. Today Congress survives the infrequent retirement of its titans. It can survive an accelerated process too.

There are complaints that the legislative branch will lose power to the executive. That is possible, but



*Sen. Dole — 24th year*



*Rep. Rostenkowski — 34th year*

not necessarily probable and certainly not inevitable. There is no rule forcing one branch to grow long whiskers before it can stand up to another.

Lame ducks, it is said, are not accountable. Yet studies of lame ducks show no substantial changes in voting patterns. There is no evidence to show unbeatable ducks are more accountable than lame ones.

Finally, opponents suggest that “other changes” will cure the system. That is probably true, but no such changes are in eminent danger of enactment. Usually the “other changes” are reforms in campaign law. That won’t help because no legislature has ever passed a campaign law that made it harder for incumbents to get reelected.

### **The Future**

Term limits enjoy wide popular support. But that does not mean that they will see the light of day. The Balanced Budget Amendment and the Line Item Veto, both of which enjoyed majority public support and yet were not adopted, are testament to Congress’s ability to defend itself. Congress merely toyed with them until the intensity of their supporters petered out. Possessed of nearly infinite staying power and an irresistible urge for self-preservation, Congress is prepared to dally term limits to death too.

Following the Washington state defeat, proponents will have to prove that they can regain their lost momentum. Even if they can succeed in their initiative strategy, most constitutional scholars suggest that states cannot limit the terms of their congressmen, and that a constitutional amendment is required. If so, a term limits strategy must be a very long-term proposition.

If the term limits movement can recapture its successes in the states, it can elect some pro-term limits congressmen, just as it has begun to seat some friendly state legislators. Making a majority in Congress is a long process, but other factors will help. State limits will give state legislators more incentive to run for Congress, and more incentive to create districts in which their success is more likely. This process will create a new class of more credible challengers in primaries as well as general elections.

It is also possible, but unlikely at present, that Congress will be pressured to cure some of the irritants that are bugging the American people. Only if there is a strong anti-incumbent reaction in the 1992 elections will Congress be forced to begin making changes. Remember, it is just as distasteful to give away immortality piece by piece as it is to surrender it all in one lump.

Wagering the rent money on term limits for Congress is surely not in order now. The movement is for real, and it is making an impact. However, it must match its high intensity with unprecedented staying power before it can achieve the muscle to force Congress to begin stripping away elements of its own immortality.

In some sort of national debate, Americans must decide what kind of representation they want. The framers wisely made system changes difficult to achieve. It’s not enough for Americans to want term limits badly. To get them, they have to want them over the long haul. ■



Bill Frenzel's case for congressional term limits is disarmingly attractive. No fire and brimstone about the corruption of Congress. No grandiose claim that limits will produce higher quality members or more effective national policymaking. No expedient assertion that states can limit congressional terms without a constitutional amendment. Instead, Frenzel embraces term limits as the only available means of achieving an important but limited objective—namely, restoring competition, turnover, and accountability to an electoral system that has essentially lost all three.

But Frenzel's judicious approach to term limits should not obscure the radical character of his proposed reform. The burden of proof—diagnosing the problem and demonstrating that the cure is likely to work without debilitating side effects—properly falls on those who would alter the constitutional order. My view is that a persuasive case for term limits has not been made.

#### Legislatures under Siege

Congress and state legislatures are suffering from extraordinarily (if not unprecedentedly) low levels of popular support. With only a fourth of the electorate approving of the job these representative bodies are doing, the soil is fertile for the burgeoning term limit movement. But it would be a mistake to infer that declining competition and turnover in legislatures are responsible for the drop in public esteem, that the public's embrace of term limits is in any way novel, or that the term limit movement reflects a spontaneous uprising by the public to restore accountability in legislative elections.

Public confidence in legislatures is low because the news coming out of Washington and state capitals has been bad. Recent stories on state legislatures by Alan Ehrenhalt in *Governing* and on Congress by Richard Cohen in the *National Journal* are remarkably parallel in this respect. A stagnant economy, declining real wages and limits on upward mobility for many working-class Americans, suffocating budget deficits, and chronic crime and poverty in our cities have constrained effective policymaking and frustrated citizens. At the same time several developments in the political system have further damaged the reputation of legislatures. Divided government, now the norm in two-thirds of the states as well as in Washington, invites public squabbling between the branches, which diminishes the stature of both. The increasing focus on scandal, fueled by ethics and public disclosure statutes, tough law enforcement against public officials, and a press inclined toward feeding frenzies, leads the public to believe (incorrectly) that legislatures and politicians are more and more corrupt. And the situation is made even worse by negative campaigning—the growing tendency of politicians to cast their electoral and legislative opponents in the worst possible light.

Uncompetitive elections and low turnover are at most sidebars to the big story of the public loss of confidence in Congress and state legislatures. Using term limits to increase competition and turnover is unlikely to alter the public image of these institutions.

Indeed, the public's support for term limits predates the contemporary disrepute of Congress and state legislatures. Polls taken 40 years ago found roughly the same level of support as exists today. No surprise here. Term limits are irresistible to poll respondents: they provide a simple, no-cost means of registering skepticism and unhappiness with politics and politicians in general.

What's different today is that activists have mobilized to bring term limit initiatives before the electorate. Frenzel portrays these activists as Democrats and Republicans, liberals and conservatives, united only in their status as outsiders, "estranged from a system that is rigged against them." My own view of the term limit

# THE WRONG MEDICINE

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## *Term Limits Won't Cure What Ails Congressional Elections*

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movement is slightly less benign. The energy and resources of the movement come overwhelmingly from conservative, libertarian business and ideological interests who share a strong distaste for government and a wish to control or weaken legislatures now dominated by Democrats.

Politics does make strange bedfellows, and there are a handful of Democrats and liberals who are working on behalf of term limits. But I believe any fair accounting would reveal that the struggle for term limits is more about political power than good government. We are in the midst of a national campaign to limit legislative terms not because the public is in open revolt against a rigged electoral system but because the intense ideological and partisan battles of our time have been moved to a new venue.

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## What's Wrong with Congressional Elections?

Frenzel correctly notes the incredibly high reelection rates of congressional incumbents and their substantial margins of victory. The study of the “vanishing marginals” and the advantages of incumbency has been a cottage industry in political science, and Frenzel is not alone in his concern that the threat of defeat is no longer real for congressional incumbents.

The problem is greater in the House than in the Senate. Although there has been a long-term decline in competitiveness in Senate elections and only one incumbent was defeated in 1990, a third to a half of senators running for reelection routinely attract strong, well-funded challengers. Large-scale defeat of Senate incumbents led to a change in party control of the chamber twice in the 1980s, something that had not been seen since the 1950s.

House elections lack credible challengers. More and more House elections go uncontested; most of the others feature relatively unknown and woefully underfinanced challengers. Fundraising by House challengers has declined precipitously since

1984 while the cost of campaigning and incumbent spending has sharply increased. As the minority party in the House, the Republicans have suffered disproportionately, but Democratic opposition to Republican incumbents is also increasingly anemic.

The absence of credible challengers in the 1990 elections kept House incumbent losses to 15, in spite of an unprecedented drop in the vote margins of both parties' incumbents. A slightly stronger field of opponents could easily have converted the expressed public discontent with Congress into double or triple the number of incumbent defeats.

The 1990 experience highlights an important lesson about congressional elections. Robust competition requires both strong, well-financed challengers and public antipathy to the status quo. The quiescent House elections after 1982 reflected in large part the relatively benign national political environment. From “It’s morning again in America” in 1984 to “Keep the recovery going” in 1988, there was no clarion call to throw the rascals out. Absent a scandal or serious political misstep, voters had little incentive to reject their representative. At the same time, potential challengers had no reason to believe that conditions were ripe for a political upset. Their reluctance to run reinforced the public passivity and ensured good times for congressional incumbents.

But it would be a mistake to conclude that these conditions are permanent, that the recent pattern of competition and turnover in congressional elections will continue. No simple linear trend line fits the history of congressional elections. Between 1974 and 1982 the membership of the House and Senate was almost entirely replaced as a result of retirements and incumbent defeats. By the early 1980s three-fourths of senators and representatives had served fewer than 12 years. That tumultuous decade in congressional elections was followed by the placid years after 1982, which saw a drop in voluntary retirements and election defeats and therefore a much more stable membership.

We are about to enter another period of rapid membership turnover. Redistricting, a surge in retirements, more successful candidate recruitment, and a high level of public angst may well produce 80 to 100 new members of the House in 1992, with 30 to 40 reaching office by defeating an incumbent. The volatile Senate class of 1992 could see a dozen of its members replaced in the November elections. And it is easy to imagine conditions under which rapid turnover continues in the 1994 midterm elections. A massive increase in competitiveness is not prerequisite to a healthy flow of new blood into the legislature.

But what of the charge that the incredibly high success rate of incumbents has destroyed the system of accountability essential to a democracy? There are ample grounds for concern here. Uncontested elections and halfhearted challengers are unlikely to have a bracing effect on incumbents and over time may breed an unhealthy feeling of invulnerability and arrogance. Yet most members of Congress remain unbelievably insecure about their political futures and highly responsive to the interests of their constituencies. One big reason incumbents are so successful is that electoral accountability is alive and well: representatives conform to the wishes of their constituents and are in turn rewarded with reelection.

The problem is not individual accountability. Voters show no signs of suffering from inattentive or unresponsive representatives. If anything, members of Congress are too solicitous of their constituencies and insufficiently attentive to broader national interests, too consumed with their personal standing in their district or state and too little dependent on their political party.

What’s needed is a change in the electoral system that once again allows the outcome of hundreds of congressional elections to cumulate to a meaningful national decision. We should aspire



Rep. Gingrich — 14th year

to elections that are more party-based, less candidate-centered—and capable, on occasion, of changing the majority party in the House and of putting a single party in control of the government in Washington.

### Term Limits in Congressional Elections

If my analysis is correct, term limits are the wrong medicine for what ails the congressional election system. There is no compelling reason to insist on 100 percent turnover in Congress every 12 years when 50 to 75 percent of the members of the House and Senate are routinely replaced every decade. Natural turnover (from voluntary retirement, progressive ambition, and election defeat) is preferable to an arbitrary scheme that unnecessarily restricts a democratic electoral process.

Would term limits increase the competitiveness of congressional elections? If more competitiveness means lower reelection rates for incumbents, the answer is clearly no. A term limit would very likely turn into a floor, with would-be candidates deferring their challenge and awaiting the involuntary retirement of the incumbent. If a norm of deference to the term-limited incumbent took root, elections would be contested only in open seats, and then only those not safe for one political party or the other.

Indeed, there is little reason to think that congressional term limits would produce anything approaching a surge in high-quality, well-financed challengers, which is essential for increased competitiveness. More targeted interventions are required to produce that result. (On the other hand, term limits for state legislators, however harmful their effects on state government, would increase the supply of experienced politicians seeking election to Congress.)

Finally, would congressional term limits increase accountability? Would the personal standing of representatives and senators become less important and their political party more so? Would Republicans have a better shot at taking control of Congress when they won the presidency? Having more open seats might marginally increase the ties between presidential and congressional voting. And Republicans would have a better chance of climbing out of their near permanent minority status in the House if the cohort of veteran Democratic legislators were forced to give up their seats without a fight.

Yet reformers would be disappointed by the likely consequences of term limits. The candidate-centered character of our elections would not disappear in a world of shortened congressional careers. The personal vote for incumbents materializes in their first reelection campaign. And while Republicans fare better in open seats than in those contested by an incumbent, even here their performance falls short of the Democrats'.

Term limits just won't get the job done. What's needed are a Republican party determined to build from the bottom up rather than the top down, with a public philosophy that encourages men and women to seek legislative office under the Republican banner; a reformed campaign finance system that puts more resources (money, cheaper mail, less expensive access to television) into the hands of the challengers; additional restrictions on franked mail and other advantages of incumbency; and creative strategies to shift the focus of officeholders and voters from position-taking on parochial matters to collective efforts that grapple with serious national problems. Frenzel is skeptical that any such changes will ever be achieved. I believe we have no choice but to cajole, shame, and threaten politicians into doing the right thing.

### Side Effects

These other measures should be pursued not only because they have a better chance of making congressional elections more com-

petitive, but also because they lack term limits' potentially debilitating side effects.

Frenzel is surely correct to note the inflated rhetoric of proponents and opponents of term limits. The republic has survived the limit on presidential terms imposed by the 22nd Amendment and is unlikely to perish if congressional term limits are added to the Constitution.

Nonetheless, it is not unreasonable to be concerned that term limits might eliminate many of the members most inclined to legislate in the national interest; shift power from elected politicians to unelected officials and private interests; and strengthen the executive branch at the expense of Congress. These questions are not easily answered, but they should not be summarily dismissed.

The road to constitutional change, Frenzel approvingly observes, is long and difficult. Let's hope the journey enlightens the public and channels its energy into more productive forms of political participation. ■



Sen. Bradley — 14th year



# When Work Doesn't Work

## Employment Programs for Welfare Recipients



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**T**he nation's welfare rolls are soaring. After growing slowly for most of the past two decades, the number of families collecting Aid to Families with Dependent Children shot up 870,000—or nearly one quarter—between July 1989 and October 1991. The number of Americans collecting assistance climbed from 10.9 million to 13.2 million. Part of the increase was due to the recession, which inflicted particular hardship on families with children. But the jump in caseload began well before joblessness started to climb, and it far exceeded the rise in earlier recessions.

Financially strapped state governments are increasingly interested in curbing welfare costs, often by changing the behavior of recipients. One of the most popular methods for accomplishing this goal is to institute work and training requirements for able-bodied adults on the rolls. These programs, which include job search assistance, basic education, skills training, and unpaid work experience, are not necessarily new. Similar programs have been tried off and on over the past 25 years. What is new is the determination of states to impose a work or training obligation on nearly all able-bodied recipients.

According to the politicians most strongly in favor of these programs, the new approach holds out a double promise: it will improve the well-being of families who now depend on public assistance, and it will reduce welfare spending at the same time.

The popularity of the strategy was demonstrated four years ago when a Democratic Congress and a conservative Republican president joined to pass the Family Support Act of 1988. Hailed at the time as a landmark in the reform of American welfare, the new law obligates state governments to transform AFDC from an income maintenance program into a jobs program. Single parents on welfare whose children are at least four years old must find regular work. If they cannot, they must enroll in educational or job training programs and eventually in a state-organized employment program. The law authorized \$3.3 billion in new spending over a five-year period for training, transportation, and child care assistance. The promise was that the legislation would both help needy families and eventually reduce public spending on the poor.

It won't. For one thing, \$3.3 billion is not enough money to get the job done. But more fundamentally, the seductive double promise behind work and training programs is based on an illusion. Many work programs for welfare recipients have been tried. None has lived up to the ambitious aims of its proponents. The reason is straightforward. It is nearly impossible for a work program simultaneously to raise the living standards of families who depend on public transfers and boost the net incomes of taxpayers who pay the direct costs of the program as well as the bill for AFDC benefits. Programs that dramatically raise the well-being of disadvantaged single mothers are not cheap. They cost taxpayers money. Programs that tangibly reduce welfare outlays, and thus lower public spending, often reduce the net incomes and well-being of the poor.

### Changing Attitudes toward Welfare and Work

When Aid to Dependent Children was established in 1935, one of its principal goals was to enable widows and other single mothers to care for their children without being compelled to hold a job. Mothers, even if they were not currently married, were expected to act as caregivers and homemakers, not as breadwinners.

Times have changed. The 1960s and 1970s saw a big shift in social attitudes toward work among mothers. Because job holding was increasingly common among *married* mothers, including those with small children, many voters saw little reason to excuse single women from the obligation to work solely because they were rearing children.

Moreover, the nature of the population receiving AFDC has changed. When Aid to Dependent Children was established during the Depression, the target population consisted mainly of widows and their children, easy objects of sympathy for most voters. Over the 1960s the AFDC caseload increasingly consisted of families in which the mother had separated, divorced, or been deserted by her husband or had never been married. By 1971 more than three-quarters of families receiving AFDC were headed by divorced, separated, abandoned, or never-married women. Taxpayers could be excused for thinking that in the absence of public assistance some of these women would have remained married, others would have married or remained childless, and still others would have been working.

The first notable public program to encourage work among mothers on public assistance was the Work Incentive (WIN) program, established in 1967. The program changed the formula for calculating AFDC benefits, permitting recipients who found a job to keep a higher percentage of their earnings while maintaining eligibility for welfare. The WIN program also offered counseling, training, and help in finding a job. Although Congress required local welfare agencies to refer eligible mothers to the program, in practice only a small percentage of the caseload received much help. The level of resources available to help mandatory participants in WIN was low. In many parts of the country, participation in WIN activities was effectively voluntary.

In 1981 President Reagan and Congress authorized states to experiment with tougher work and training obligations than those permitted under WIN. States were given the authority to require able-bodied AFDC recipients to perform short-term, unpaid community service in exchange for their welfare grants. Such programs had been tried before, though only rarely and seldom with much success in the case of single mothers.

The spirit of experimentation in work-welfare programs was not accompanied by much hard cash. In fact, the federal budget for WIN was slashed in the early 1980s. By 1986 federal spending on WIN fell to just \$200 million, about one-third the level of spending in 1979. At the same time, federal support for other employment and training programs was also curtailed. In 1980 federal spending on employment and training amounted to \$9.3 billion (in constant 1986 dollars). By 1986 it had been trimmed to \$3.7 billion.

Gary Burtless

*Gary Burtless is a senior fellow in the Brookings Economic Studies program. He is the author of the recent Brookings book, A Future of Lousy Jobs? The Changing Structure of U.S. Wages.*

It is clear that work and training programs can raise the employment and earnings of welfare recipients. They can even raise earnings enough to offset the direct and indirect costs of the programs.

### State Experiments in Workfare

Notwithstanding the cutback in federal funds, several states established demonstration programs during the 1980s to test the effectiveness of different approaches to job training, voluntary or mandatory job search assistance, and mandatory work experience. By far the most interesting results from these demonstrations emerged from experiments designed and evaluated by the Manpower Demonstration Research Corporation, a respected research organization headquartered in New York City. In cooperation with about a dozen states, MRDC conducted thorough evaluations of work-welfare initiatives.

Although each of the MDRC experiments required participants to engage in some work-related activity, they were quite varied in approach. One experiment required AFDC recipients to perform unpaid community work. Another encouraged them to participate in job training and job search assistance. Others compelled them to undergo job search training or participate in individual or group-oriented job search programs.

The experiments differed widely in their success in increasing the proportion of welfare recipients who participate in work-related activities. The most effective was the San Diego Saturation Work Initiative Model (SWIM), which aggressively promoted participation and succeeded in getting nearly two-thirds of enrolled recipients to participate, at least briefly.

The MDRC experiments also varied dramatically in cost. One experiment in Illinois, the least expensive, cost only about \$110 to \$150 per person. One explanation for the low cost is that the job search model tested in Illinois relied almost entirely on the unaided efforts of recipients themselves. Another is that comparatively few AFDC recipients in Illinois were actually forced to toil in a community work experience job. (It may come as a surprise to some readers to learn that such jobs cost money to administer. Public officials must devote time, energy, and money to make community work experience positions available to welfare recipients.)

The most expensive programs were conducted in Maryland and San Diego. The Maryland demonstration, which cost nearly \$1,000 a person, offered genuine (and costly) job skills training to 17 percent of enrollees. The San Diego program invested real resources in education and training and also implemented an effective job search program. Moreover, the SWIM program, as mentioned, devoted considerable administrative resources tracking the people enrolled in the program to ensure that they participated. The cost of SWIM was about \$900 per person.

### What the MDRC Experiments Tell Us

Naturally the experiments led to a wide range of results. Earnings rose in most, but not all, the demonstrations. Participants in states that relied heavily on unpaid community work experience programs or that invested little or nothing in devising job search assistance had little to show in the way of increased earnings. The largest short-term earnings increases came in the San Diego SWIM experiments. Over the sec-

ond through the sixth calendar quarters after participants enrolled, the San Diego programs raised average earnings by roughly a quarter, or about \$450–\$550 a year. The Maryland program also registered respectable gains, especially after participants had been enrolled a year or so. Annual earnings rose \$400 in the second year (or from roughly \$2,350 to \$2,750) and about \$500 in the third year, about a 17 percent gain over average earnings in the control group.

Other states witnessed less impressive earnings improvements, but at substantially less cost. The low-cost programs in Arkansas and Virginia managed gains of about half to two-thirds those in San Diego and Maryland during the first couple of years after enrollment.

Improvements in welfare caseloads and spending were smaller. San Diego realized the largest reductions in AFDC caseload and spending. Welfare benefits fell \$400–\$550 a year, or about 8 percent to 14 percent of average benefits paid to members of the control group. Reductions in benefits were smaller and less reliably estimated in the other states. Surprisingly, some states offering low-cost programs with no discernible effect on the employment or earnings of participants managed to reduce benefit payments a little. Maryland, the state with the most expensive and ambitious program, saved very little on benefits. And other states that raised participants' earnings failed to reduce measurably the size or the cost of the welfare caseload.

### More Ambitious Experiments

Varied as the recent MDRC experiments were, they covered a fairly narrow range of policy options when viewed from the point of view of cost. Other experiments have been bolder—and more costly. The Supported Work Demonstration, conducted by MDRC during the late 1970s, tested the effectiveness of a carefully structured program of work experience. Measured in 1990 dollars, the services offered cost nearly \$22,000 per welfare recipient. The demonstration offered up to 12 months of intensive work experience to welfare recipients drawn from an especially disadvantaged population—single mothers who had been dependent on welfare for an average of more than eight years.

Despite the extreme labor market disadvantage of the group, the Supported Work program substantially raised unsubsidized employment and earnings. Employment during the first full year after completion of the program rose 8.5 percentage points (from 40.5 percent to 49 percent), while annual earnings rose about \$1,800 (46 percent of the control group mean). The program made significant savings in AFDC and food stamp benefits as well. During the first full year after the program was completed, combined AFDC and food stamp benefits fell more than \$1,500, about 23 percent of the average benefits received by the control group. The reductions in benefits resulted in clear gains to taxpayers—but they nearly wiped out the wage gains earned by welfare recipients.

A second set of ambitious demonstrations, the AFDC Homemaker-Home Health Aide Demonstra-



tions, cost about half as much per person as the Supported Work Demonstration. Congress authorized the Home Health Aide demonstrations in the early 1980s to give training and subsidized employment to AFDC recipients who in turn were expected to provide home health care services to people who were functionally impaired. The goal was to raise AFDC recipients' earnings and at the same time reduce government health care costs by keeping needy aged and disabled people out of nursing homes.

The demonstrations failed to achieve the second goal, but came closer to achieving the first. Not surprisingly, participants' total earnings, including the subsidized earnings they received as home health aides, were substantially higher than the wages earned by members of the control group. But several of the demonstrations also produced significant gains in participants' *unsubsidized* earnings after the subsidized work experience ended. During the second year after the work experience, average earnings gains across the seven demonstration projects were a little more than \$1,300 a year. In several the gain in earnings was matched by a decline in AFDC caseloads and spending on public transfers. In one project, however, participants enjoyed earnings gains without a corresponding decline in AFDC and food stamp benefits.

### Good News and Bad News

From this mixed experience, it is clear that work and training programs can raise the employment and earnings of welfare recipients. They can even raise earnings enough to offset the direct and indirect costs of the programs. That is good news for voters and politicians who have pinned their hopes on work and training programs. The bad news is that the good news is not good enough.

The 1990 poverty line for a family consisting of one adult and two children was \$10,419. The annual average income of poor female-headed families in 1990 was roughly \$4,500. The difference between these two numbers is \$5,900. By comparison, the biggest annual earnings gain registered by any demonstration program was \$1,800 (in the Supported Work study, which cost \$22,000 per participant). The earnings gain achieved in the most effective work program thus represents less than a third of the gap between poor single mothers' current incomes and the poverty line.

But that's not all. Women who earn extra wages after participating in work programs seldom get to keep all the gains. Most of the earnings gains of the Supported Work Demonstration were not retained by welfare recipients, but were instead passed along to taxpayers in the form of reduced spending on AFDC and food stamps. The boost in net income received by participants in the Supported Work Demonstration was therefore quite modest. In fact, the program had no significant long-term impact on the percentage of families living in poverty.

If taxpayers are not actually to lose money on work programs, they must save *at least* as much as they spend for the direct cost of providing training or

unpaid work. The scale can be tipped in taxpayers' favor—and against recipients—if the welfare formula heavily taxes extra earnings, if administrators are stingy in offering support services like child care, and if ancillary benefits like food stamps and medicaid are subject to stringent eligibility limits. But taxpayer gains usually represent recipient losses. And the bottom line is this: however the benefits are divided up between taxpayers and recipients, they are too small to raise substantially the living standards of poor single mothers or reduce substantially the current level of dependency.

### Policy Lessons

Given the limited education and work skills of many welfare recipients, it is only reasonable to expect that job search assistance, extra training, and carefully crafted work experience programs can help improve their earnings. As two decades of experiments show, even modest programs do help.

Among the lessons of those experiments is that states can substantially raise the percentage of welfare recipients who participate in some kind of work or training program. Many more recipients can thus be exposed to the world of work. A second lesson is equally striking. Although expensive training offers the greatest promise for large payoffs, even inexpensive programs can improve both employment and welfare caseloads at least a little. Small investments are not going to overcome a lifetime of severe disadvantage. But budget realities for the foreseeable future make expensive programs unlikely.

Two other lessons have already been noted. Even the best programs fail to raise earnings enough to make much difference in the living standards of current welfare recipients. And earnings gains achieved by work programs must be divided between welfare recipients and taxpayers, thus ensuring that overall income gains made by poor families will be, at best, extremely small.

One thing is clear. Work programs cannot be expected to boost the well-being of poor families *and* reduce public spending on the poor. Although many of the demonstration programs “worked,” none worked miracles. The truth is that lifting welfare recipients out of poverty requires both work programs *and* generous transfer benefits.

Employment in today's economy does not guarantee an escape from poverty. Low-productivity, low-wage jobs abound. The nation can plausibly hope to raise the skills of the least skilled workers, including potential breadwinners who depend on welfare. But it is much harder to engineer the elimination of millions of poorly paid jobs. As long as bad jobs exist, some people will hold them. If the job holders happen to be single parents with dependent children, their families will probably be poor. These families must receive public aid in one form or another, or they will remain poor.

For the majority of America's long-term dependent poor to escape poverty, employment programs must be combined with some form of earnings supplement. Inevitably, that will cost taxpayers money. ■

That is  
good news  
for voters  
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their hopes  
on work  
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programs.  
The bad  
news is  
that the  
good news  
is not good  
enough.

# THE RETURN TO HISTORY

## THE BREAKUP OF THE SOVIET UNION

**S H L O M O   A V I N E R I**

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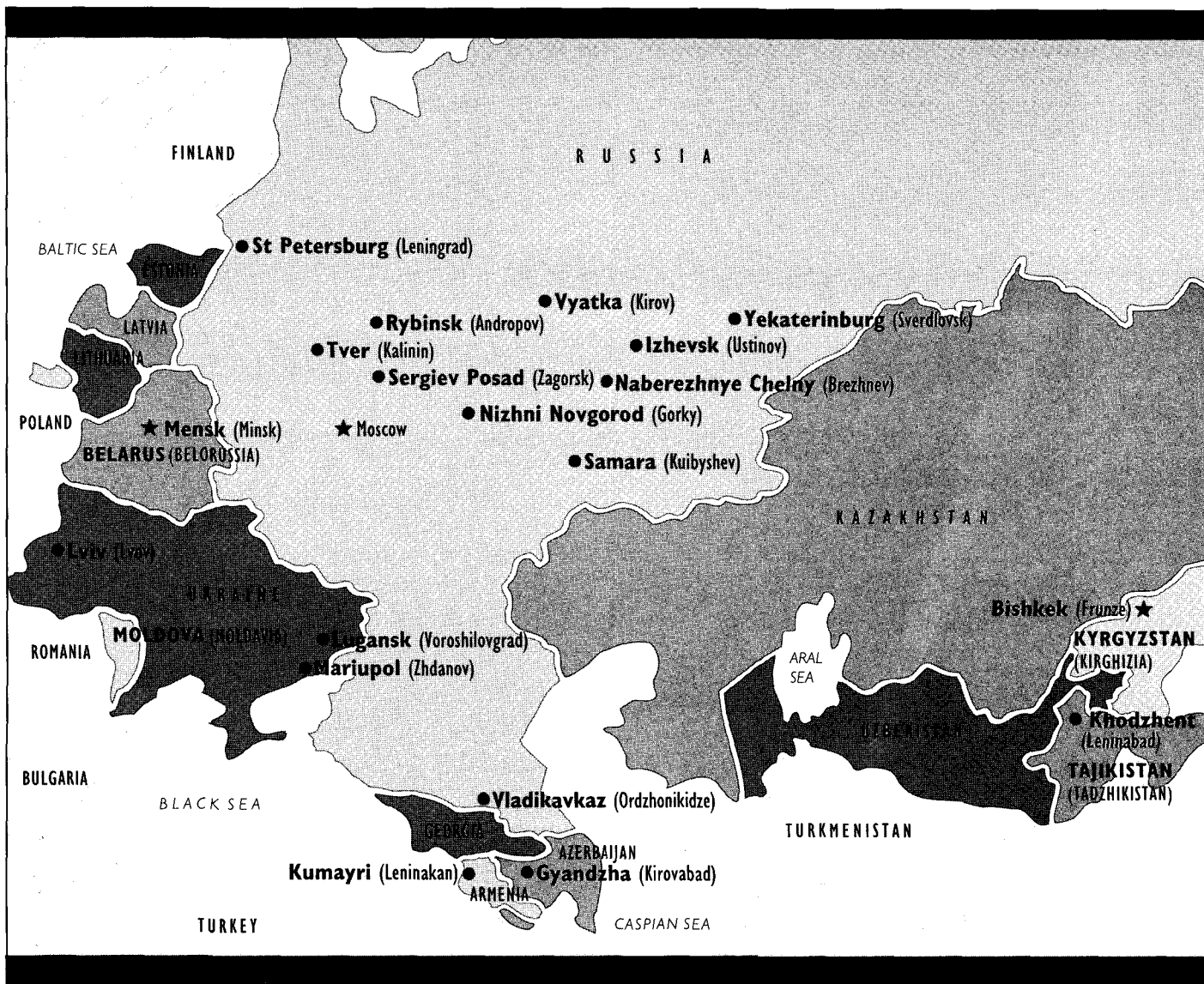
events in Central and Eastern Europe have given rise to a number of questions—and false hopes—about the alternatives to communism in countries that have been ruled by Marxist-Leninist governments for many decades. The dissolution of communist regimes in the former Warsaw Pact countries and the disintegration of the former Soviet Union make the question of the alternatives into a central issue of current international politics. They also pose some tough challenges for political analysts about the limits of their own professional expertise.

It is obvious that the defeat of communism is primarily seen in the West through an ideological prism. It is equally obvious that such a prism may sometimes impose triumphalist distortions on the interpretive faculties of the observer. Thus in the rush of the initial enthusiasm over the demise of communism, some Western analysts went so far as to announce the End of History. Finally—so they argued—liberal democracy, with the free market as its mainstay, had won its ultimate victory. After defeating fascism and Nazism in World War II, Western liberalism had triumphed over the other alternative ideology confronting it, communism. No other system or ideology could ever successfully challenge it. The Sons of Light had finally vanquished the Sons of Darkness. Gloria in excelsis.

Actual developments in Eastern Europe and the currently unfolding drama in the former Soviet Union itself, however, advise caution. Although there is no doubt that the communist system as such—a one-party dictatorship coupled with a planned command economy—is dead and buried in Central and Eastern Europe (China, Vietnam, and North Korea may be a different story), it becomes less and less clear whether the emerging alternative is a democratic and free-market society. Even in the brief period since the autumn of 1989, clear differences in developments in several postcommunist societies suggest that not all these societies are traveling on the same tracks or even necessarily moving in the same direction. Czechoslovakia and Romania, for example, show completely different patterns of development.

If one begins to look more carefully at these differences, as well as at the vastly different course taken by the various former Soviet republics, it becomes clear that the most pronounced determinants in these different developments are historical factors. Far from seeing an end of history, Eastern Europe now goes through a massive return of history and to history. Past structures and ideologies become a more reliable guide to the general contour of things to come than any other indicator, just as pre-1914 atlases give a better picture of the tangled conflicts emerging in postcommunist societies (for example, Yugoslavia) than recent atlases. Paradoxically, they are more up to date precisely because they are older. And anyone who has studied the Balkan wars of the 1910s is better equipped to understand the current developments in Yugoslavia than anyone conversant only with recent GNP or other indicators of these societies.





## Changing Place Names in the Commonwealth of Independent States, 1992

### Taking the Long View

In assessing the meaning of this return to history, it is helpful to try to fit the developments of the past few years into a broader historical perspective. Otherwise, the picture is fragmented, and the fragments do not make much sense, nor are they helpful in trying to formulate policies for the future. What we are witnessing is, in historical terms, much more encompassing and complex than the mere disintegration of communism.

In the wake of World War I, three centuries-old continental empires collapsed: the Ottoman, the Austro-Hungarian, and the Russian.

While the collapse of the first two empires was final, the reverberations of the collapse are still very much with us in the form of lingering regional conflicts. In the Middle East, the Israeli-Palestinian conflict, the civil war in Lebanon, the Greek-Turkish conflict in and over Cyprus, and even some aspects of the Iraqi-Kuwaiti dispute are, in essence, disputes between successor states of the Ottoman Empire over the heritage left by it. Similarly, in Central and Eastern Europe, tension between Hungary and Romania over questions connected with Transylvania, the current

war in former Yugoslavia, even the possibility of the breakup of the Czechoslovak federation all stem from the unfinished business of carving up the defunct Austro-Hungarian Empire.

That the breakup of these two continental empires has continued to haunt the successor states for more than 70 years now (with no end yet in sight) should be a cautionary note for anyone expecting a quick fix to the collapse of the Soviet Union and the Warsaw Pact.

For the collapse of the old Russian Empire in 1917 was more complex than that of the Ottoman or Austro-Hungarian systems. On coming to power in November 1917, Lenin and the Bolsheviks recognized and announced the right of the non-Russian nations within the old czarist empire to secede and form their own states. As a consequence, Finland and the Baltic states attained their independence with Soviet blessing. The Russian part of Poland aligned itself with the Polish areas under German and Austrian rule to establish the independent Polish republic. The Ukraine declared its independence, as did the Transcaucasian nations of Georgia and Armenia and other regions in the Central Asian parts of the old czarist empire.



**Today,  
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pillars of  
commu-  
nism,  
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ideology,  
have both  
crumbled.**

The policy of self-determination, however, was reversed during the ensuing civil war and Western anti-communist interventions, when some of the seceding republics became involved in the war against communist rule in Russia. Eventually, central authority was reestablished by force in most of the seceding areas, mainly in the Ukraine and the Transcaucasus. Up to a point, the old Russian Empire was reestablished, this time with a revolutionary, internationalist ideology. During and after World War II this old-new Russian-Soviet empire was able to re-annex the Baltic republics and some other areas in Eastern Poland and Northern Romania. And with the Soviet victory over Nazi Germany in World War II, the Soviet army was instrumental in imposing communist rule over Poland, Czechoslovakia, Hungary, Romania, Bulgaria, and East Germany (Yugoslavia was a different story)—thus adding an unprecedented outer rim to Russian-Soviet domination.

### **Not by Arms Alone**

It would, however, be a mistake to attribute the existence of this extended empire to force alone. It was held together by a powerful combination of force and ideology—a messianic vision of communism as the harbinger of a New World Order of equality, social justice, and solidarity. Flawed as communist society was, one can never understand its staying power only in terms of its coercive instruments of repression. There was always the vision—the vision that made it possible for people in Moscow and Kiev, Riga and Tashkent, Yerevan and Tbilisi to believe that despite their differences in language and customs, religious background and national origin, culture and race, they were still united in an unprecedented effort to create a new world and a new man.

Indeed, for many, *homo sovieticus* was seen to arise out of the debris of the old world. Some of the best and the brightest of the Eastern European intelligentsia believed that given the history of the region's economic backwardness, social conservatism, ethnic strife, and fascist or near-fascist governments, only the promise of communism could deliver these societies and lead them to a new, bright, and peaceful future. The dream might have been naive, but it was born out of the noblest sentiments, and the nobility of the vision makes the abyss of Stalinist horrors even more tragic, as so poignantly shown in Arthur Koestler's *Darkness at Noon*. Only those who understand the attraction of communism for Eastern European intellectuals can understand the depth of the catastrophe brought upon that dream by Stalinism and its aftermath.

Today, the two pillars of communism—force and ideology—have both crumbled. The repressive system has disintegrated, and so has the dream. Nobody believes any more in the redemptive potential of communism. The void is almost fathomless, and frightening.

What will replace this dream and the political structures erected by it? Those who, in their early enthusiasm, naively saw communism as being inevitably replaced by democracy and a market economy are beginning to realize that the countries of Central and Eastern Europe lack the social building blocks—the

network of voluntary associations, modes of thinking, traditions, and institutions—cultural, economic, and religious—that make democracy, and the market, possible. The fact of the matter is that before the advent of communism only one country in Eastern Europe—Czechoslovakia—had a viable democratic system coupled with a thriving market economy, and even that was encumbered by grave problems of ethnic minorities (Sudeten Germans, Slovaks, Ruthenians, and Hungarians). Poland did try, between the two World Wars, to achieve a democratic structure, but the nobility of its intention was not matched by the reality of its politics and economics. Parliamentary fragmentation and the fact that almost a third of its population consisted of non-Polish ethnic minorities (Ukrainians, Germans, Jews) undercut its fledgling democratic structures. Hungary, Romania, Bulgaria, Yugoslavia, and the Baltic States developed, between 1918 and 1939, a variety of authoritarian regimes, with various degrees of xenophobic repression and semi-fascist tendencies. And last and not least, Russia itself, despite the historical yearnings of many of its poets and scholars, never had a viable democratic tradition of self-government, pluralism, civil society, tolerance, and individualism. For all the best intentions in the world, post-communist societies find themselves, in most cases, lacking the building stones of democracy that made the West European and North American experience of freedom possible.

### **The Past as Prologue**

Events since 1989 suggest that the best predictive indicator of a country's postcommunist future is—its past. Not that the past is about to be repeated. Heraclitus knew long ago that you cannot step twice into the same river. But the past does, to a large degree, circumscribe the contours of the future political discourse—and its potentialities.

Thus Czechoslovakia, with its liberal, secular, Western-oriented traditions, has made the most successful attempt to develop along democratic lines. Even so, the success has been greater in the Czech lands than in Slovakia, whose historical tradition is much more lacking in these ingredients and which went through an autochthonous fascist phase (the Slovak fascist independent state between 1938 and 1945). Poland and Hungary are able to draw with some success on historical resources and traditions to which representative government was not wholly foreign. But countries like Romania and Bulgaria, let alone Albania, with hardly any democratic or civil society tradition, show how difficult the transition is. And in Yugoslavia, two parallel throw-backs to history are discernible: the historical enmities, mainly between Serbs and Croats, are coming back in all their ferocity, and in the vortex of this ethnic conflict, both independent Croatia and the Serb-dominated rump Yugoslavia show clear signs of developing along the historical authoritarian lines of their past traditions. Only Slovenia, with a history of relative tolerance and decency (mainly under benevolent Habsburg rule) may yet escape the slide into ethnocentric authoritarianism of various stripes now engulfing the former commu-

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nist attempt to bridge those centuries-old conflicts.

The return to historical patterns is also exemplified by the unification of Germany. Few thought the two Germanies would come together so quickly when the Berlin Wall came down on November 9, 1989. But once the wall was down, and the communist system in East Germany was being transformed, there was no *raison d'être* for a separate existence of the German Democratic Republic, and the forces of national unity and historical memory very quickly turned the battle cry of East German dissenters *Wir sind das Volk* (We are the people) to *Wir sind ein Volk* (We are one people).

What once seemed Soviet permafrost blanketing Central and Eastern Europe is now melting. And all the grass and all the dirt are coming back. Fifty or seventy-five years of communism appear to be a hiatus in time, and postcommunist societies go back to the political discourse of pre-1917 or pre-1945, respectively.

In the former Soviet Union, with the disappearance of communism as an ideology and a system of power, the disintegration of the world's second-strongest superpower into its national components appears complete. Even Russia itself is being challenged by some of the smaller nations incorporated into it by the czars and commissars alike (Tartars, Chenens—and the list will grow). Erstwhile communist leaders become overnight champions of nationalism—so Leonid Kravthuk in the Ukraine, Nursultan Nazarbayev in Kazakhstan. Georgia and Armenia emerge as separate nation states, with at least the former showing some rather repressive features. Russia itself, while possessing a leadership hailing democracy and the market, lamentably lacks the infrastructure for both, and the dangers for an authoritarian, populist regime are evident. That 25 million ethnic Russians live outside the borders of the Russian Republic (11 million of them in the Ukraine) suggests enormous potentialities for Yugoslav-like problems. The breakup of the old Russian empire—postponed for 75 years by Soviet power—appears to be now final.

The return to history is nowhere more evident than in the return to the old names of streets, squares—and cities: so Leningrad becomes Saint Petersburg again; Kalinin, Tver; Sverdlovsk, Yekaterinburg; Ordzhonikidze, Vladikavkaz (the last one, a nice czarist triumphalist name: 'the conqueror of the Caucasus').

### **A Return to Religion**

And with the return to history and historical memory comes a return to religion, which in Eastern Europe is closely intertwined with ethnicity and national consciousness. The void left by the demise of communism in the belief system of Eastern European societies is being replaced by a revival (sometimes uncritical) of religiosity and religious symbolism. During the days of Solidarity's fight against communism in Poland, the Church was both a system of beliefs and a helpful alternative organizational structure. But the phenomenon is much wider. Not only Czestechowa, but also Zagorsk and many other shrines in Eastern Europe now enjoy a place in the public realm that few comparable religious sites can claim in the West.

Out of the communist experience many societies

may emerge as being more religiously devout than most contemporary Western societies—but also more devout than these societies were themselves before the advent of communism. In Soviet Central Asia, fundamentalist Islam may become a strong political force in the processes of replacing communist structures. Similarly, many Jews in Russia who saw communism (with all its repressive anti-Jewish policies) as a passport into general society are now discovering that with the demise of Soviet Man and the reassertion of Russian, Ukrainian (or Uzbek) nationalism, often coupled with religious connotations, they have to redefine the problems of their own identity. No longer can they claim to be Soviet citizens "of Jewish origin." It is this, as much as economic hardships and the ravings of some marginal anti-Semites, that drives so many (former) Soviet Jews to seek a new homeland in Israel.

### **History at the Heart of Social Science**

This return to history, with all its accompanying dangers, also poses a question to social scientists. After all, social science was not very successful in grasping, let alone predicting, the dramatic processes that brought about the disintegration of communism.

The lesson in this for social scientists, and it can be touched on only briefly here, is a need for more humility with regard to the usefulness of quantitative data, for more reverence for historical contexts—that is, for the role of human consciousness in human affairs. History is not an ontological entity, existing outside human consciousness. Ultimately, it is the totality of choices human beings make about what they remember and transmit to their next generations. As Hegel once remarked, all revolutions are preceded by a quiet and lengthy revolution in human consciousness, "a revolution not visible to every eye, especially imperceptible to contemporaries, and as hard to discern as to describe in words." And "it is the lack of acquaintance with this spiritual revolution which makes the resulting changes astonishing."

Changes in the core of human thinking cannot be captured through diagrams or observed from a distance through digests of official statements and press cuttings (usually in translation). They can be glimpsed in the way human beings express themselves and behave—in their language, their literature, their concrete human discourse. Two examples suffice. In 1974, on Assumption Day in Zagorsk, thousands of young female pilgrims, none of whom was even born when the communist revolution broke out, gathered at the shrine. And in 1986 Moscow intellectuals were preoccupied with whether local street names should be changed to their prerevolutionary names to preserve the meaning of 19th-century Russian literature. It is fair to guess that these two foreshadowings of the dramatic events of the past several years were never documented in the voluminous files kept by professional Western observers of the Soviet Union.

Some humility, then, is in order. If we are to understand in the future the momentous events connected with the decline and fall of communism and the Soviet empire, we must be guided by humility before the obdurate nature of human consciousness. ■

# DISMANTLING

## ARMS CONTROL AND THE

**T**he collapse of communism and the promise of a more cooperative East-West relationship have transformed the world of arms control. Goals that were once unthinkable—making enormous cuts in strategic forces or actually destroying nuclear warheads—are now at the top of the agenda. Developments that were always dangerous but of only secondary concern because of the primary East-West confrontation—the widespread deployment of short-range nuclear weapons or the spread of conventional weapons to the developing world—have now become urgent issues. And verification measures, originally born of deep distrust between East and West and intended to inform adversaries about each other's military programs, are now available to help monitor agreements, build trust, and reduce tensions.

### Nuclear Weapons

Understandably, the most immediate concern of both the United States and Europe is the future of nuclear weapons in a disintegrating Soviet empire. For now, at least, the goals of the United States and Russia seem to be congruent: to ensure the centralized command and

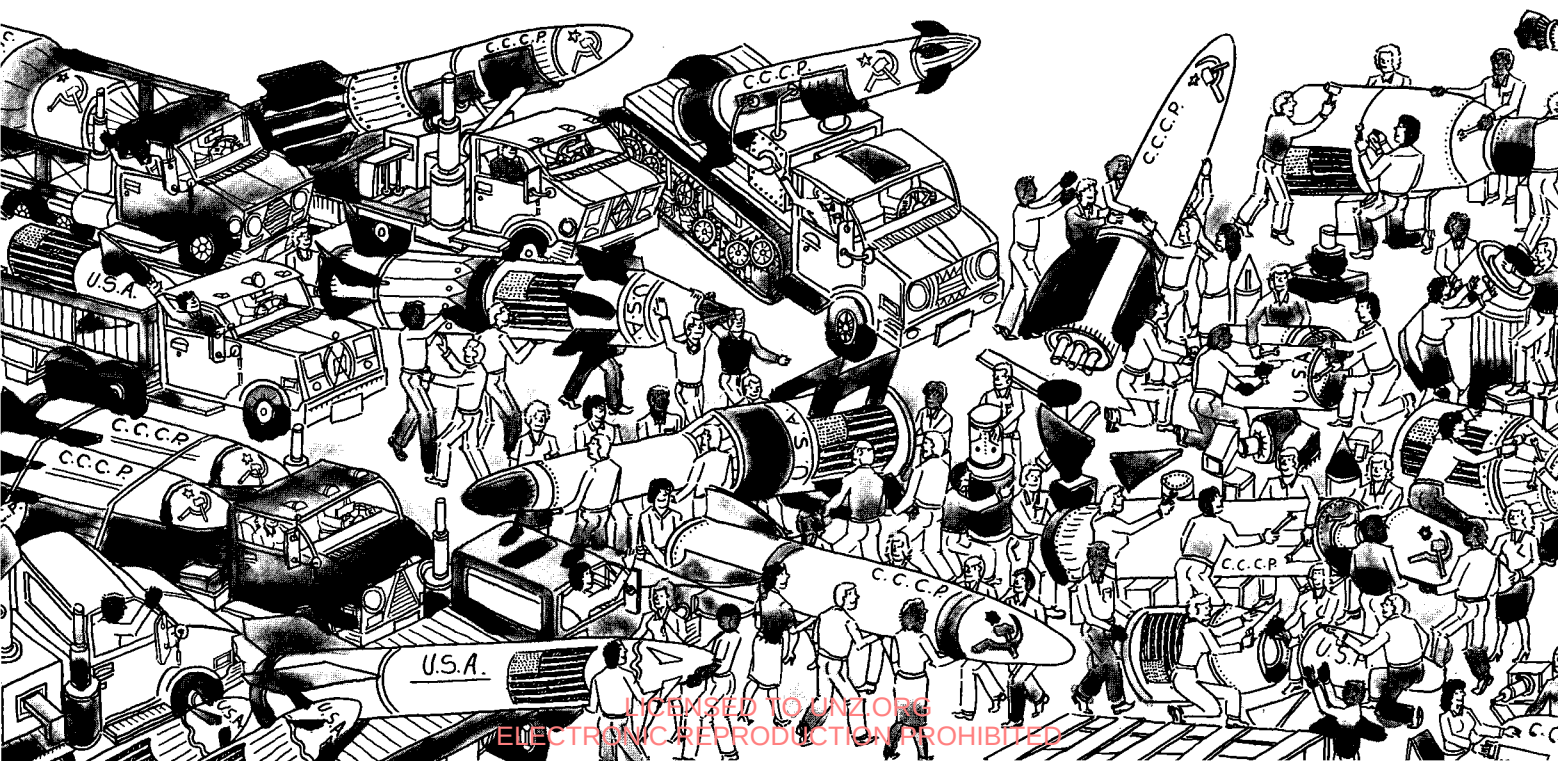
*Jack  
Mendelsohn*

control of the nuclear forces of the newly formed Commonwealth of Independent States (CIS), to encourage the safe and secure withdrawal of tactical (and, eventually, strategic) nuclear weapons from the outlying republics to Russia, and to prevent the spread of nuclear hardware and brainpower to third countries. Programs to address these problems are already under way or under consideration, although concern about their continued successful implementation will certainly persist.

In the longer term a different set of nuclear arms control issues will challenge policymakers. The end of the Cold War offers a unique opportunity to push the size of U.S. and Russian strategic nuclear forces down to considerably lower levels. As Soviet President Gorbachev suggested last October, and as President Bush proposed in his State of the Union speech in January, the United States and Russia could readily cut in half the number of strategic weapons permitted under the Strategic Arms Reduction Treaty (START).

How low strategic forces can ultimately be taken will depend on the actual role assigned to nuclear weapons. Most analysts agree that the United States can maintain its present "warfighting" strategy with as few as 3,000–4,000 nuclear weapons (see table 1). If,

ILLUSTRATION  
BY LEW AZZINARO





# THE ARSENALS

## THE NEW WORLD AGENDA

on the other hand, the United States were prepared to abandon its current warfighting strategy, which targets thousands of military, political, and economic sites, in favor of a purely deterrent one involving a very limited set of military-industrial targets, it would facilitate even steeper reductions in strategic warheads. This is apparently the strategy that underlies Russian President Boris Yeltsin's recent offer to reduce strategic arsenals to 2,000–2,500 warheads.

An essentially deterrent strategy would be based on the premise that relatively few warheads are required to dissuade an adversary from launching a deliberate nuclear attack. According to former Secretary of Defense Robert McNamara, during the 1962 Cuban missile crisis, when the United States had approximately 5,000 strategic warheads to the Soviet Union's 300, "President Kennedy and I were deterred from even considering a nuclear attack on the USSR by the knowledge that, although such a strike would destroy the Soviet Union, *tens* of their weapons would survive to be launched against the United States" (emphasis added). Nothing in the past 30 years has invalidated that conclusion or diminished the deterrent value of even a few nuclear weapons.

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### Preventing Inadvertent Conflict

With the end of the adversarial relationship between the United States and Russia and the prospect of large-scale reductions in existing nuclear arsenals, longstanding fears of deliberate attack have yielded to a new concern about inadvertent conflict. To respond to this concern, the two nations will need to make it as difficult as possible to launch their nuclear weapons. They will have to ensure that all nuclear weapons are subject to both physical safeguards and chain-of-command arrangements that cannot be defeated or circumvented. To this end, all deployed and nondeployed nuclear weapons should have the latest technology electronic locks to prevent unauthorized use. Both arming and release codes for all nuclear weapons should be held by the national command authority (on-board commanders have access to the codes for U.S. ballistic missile submarines).

Another way to reduce the risk of inadvertent war is to increase the overall confidence of both sides in the survivability of their nuclear forces. This can be done by some relatively simple measures. For example, the president has proposed that land-based ballistic missile systems be limited by agreement to one war-



**Table 1. Selected Proposals for Strategic Arms Reductions below Warhead Levels in START**

| NUMBER OF WARHEADS | PROPOSAL                                                                                                    |
|--------------------|-------------------------------------------------------------------------------------------------------------|
| 600                | Andrei Kokoshin, <i>Bulletin of the Atomic Scientists</i> , September 1988                                  |
| 1,000              | Carl Kaysen, Robert S. McNamara, and George W. Rathjens, <i>Foreign Affairs</i> , Fall 1991                 |
| 1,000–2,000        | Committee on International Security and Arms Control, National Academy of Science, 1991 (second-stage cuts) |
| 1,000–2,000        | Jonathan Dean and Kurt Gottfried, Union of Concerned Scientists, 1991                                       |
| Below 2,000        | Harold A. Feiveson and Frank N. von Hippel, <i>International Security</i> , Summer 1990                     |
| 2,000–2,500        | Boris Yeltsin, United Nations, 1992                                                                         |
| Below 3,000        | Harold Brown, <i>Arms Control Today</i> , May 1990                                                          |
| 3,000              | John D. Steinbruner, Michael M. May, and George F. Bing, <i>International Security</i> , Summer 1988*       |
| 3,000–4,000        | Committee on International Security and Arms Control, National Academy of Science, 1991 (first-stage cuts)  |
| 4,700              | George Bush, State of the Union Speech, 1992                                                                |
| 4,000–6,000        | Reed Report, Strategic Air Command, 1991                                                                    |
| 6,000              | START Treaty, 1991**                                                                                        |

\*Most proposals consider 3,000 warheads to be the level beneath which current targeting strategy must be revised and 2,000 to be the level beneath which third-country forces (United Kingdom, France, China) must become involved in negotiations.

\*\*START permits 6,000 "accountable" strategic warheads on each side. Because of lenient counting rules on air-launched weapons, each side may in reality deploy several thousand additional warheads.

head. That is one way to eliminate the concern that a small number of land-based multiple-warhead missiles on one side could be used early in a crisis and, in theory at least, destroy large numbers of similar systems on the other side. Alternatively, land-based systems could be made mobile or dispersed among multiple protective shelters. Finally, overall warhead reductions, on the scale discussed above, would by themselves decrease the number of multiple warhead systems and increase survivability by making it difficult, if not impossible, to undertake a disarming strike against the nuclear forces of the other side.

As one confidence-building measure, warheads could be removed from a portion of the land-based missile force and the systems taken off high state of alert. Ballistic missile submarines could patrol out of range of their targets, and aggressive anti-submarine warfare training activities could be strictly limited. Strategic bombers should remain off alert and their weapons stored away from operational bases. The sides could also limit the size and frequency of large-scale exercises and enhance confidence by exchanging data and giving advance notice of strategic force tests or practice alerts.

Finally, the United States, Russia, and the relevant CIS countries should agree to destroy the existing stockpile of retired and surplus nuclear weapons, perhaps 15,000 to 18,000 warheads on each side. As the two sides reduce their tactical and strategic arsenals, the number of warheads in storage will increase dramatically—as will concern over their possible theft, sale, misappropriation, or rapid redeployment. The destruction of redundant warheads should be coupled with a ban on the further production of fissile material for weapons purposes, a monitored limit on the production of new warheads to replace existing systems, and the storage, under international safeguards, of fissile material withdrawn from retired weapons.

### Strategic Defenses

Closely related to the question of nuclear force reductions and to the shift from preparing for deliberate war to preventing inadvertent war is the issue of preserving the Anti-Ballistic Missile (ABM) Treaty's strict limits on strategic defensive systems. Despite the boost given anti-missile systems by the Scud-Patriot encounters during the Gulf war, the United States will have to tread carefully in its approach to tactical and strategic ballistic missile defenses. Strategic defenses, by their nature, undercut confidence in the retaliatory capability of strategic offensive forces and could therefore lessen the willingness of one side or another to make big cuts in strategic offensive forces. In some cases, such as those involving the relatively small national deterrent forces of France and Britain, deploying even a low level of strategic defenses may actually stimulate an increase in arsenals in order to overcome these anti-missile systems.

Thus the Bush administration's interest in rewriting the ABM Treaty to permit large-scale deployment of its newest version of Star Wars, known as Global Protection against Limited Strikes (GPALS), runs contrary to a fundamental U.S. interest: to reduce nu-

clear arsenals in the CIS to as low a level as possible. Moreover, the goal cited by the administration in support of GPALS—to protect the United States against threats from third world “nondeterrables”—is questionable. CIA Director Robert Gates has predicted that it will be at least a decade before any country other than China or the CIS could strike the United States with long-range ballistic missiles. And most observers believe that long-range ballistic missiles would not be the delivery system of choice for any third world nation attempting to threaten the United States.

Although Yeltsin proposed a joint SDI program, it is unlikely, given the economic situation in the CIS, that in the long run Russia will really pursue such a costly defensive project. The same should be true for the United States. If the United States nonetheless persists in its efforts to deploy defenses, and if the Russians acquiesce to a similar program, then it will be critically important that any eventual strategic defensive deployments be limited to very few fixed land-based interceptors only. Anti-tactical ballistic missile systems, which are likely to be of interest to both sides and which are not prohibited by the ABM Treaty, should be designed so that neither their capability nor their widespread deployment will erode confidence in either side’s strategic offensive retaliatory capabilities.

### Conventional Weapons

In the short term, U.S., European, and CIS arms control goals regarding conventional weapons are likely to be similar: to encourage the prompt adherence to, and implementation of, past and pending arms control obligations, especially the recently concluded Conventional Armed Forces in Europe (CFE) agreement, and to complete the Open Skies and CFE follow-on talks (the former to create an aerial inspection regime and the latter to establish politically binding limits on troop levels). A third goal, to ensure the orderly transfer of conventional military forces from Union control to the newly formed states, is certainly shared by the West and Russia. But tensions among the states of the new CIS may make it difficult, or even impossible, to distribute conventional forces quickly or smoothly (see table 2).

In the longer term, now that the fear of a massive land war in Europe has become, in the words of the CIA director, “virtually nonexistent,” the conventional weapons arms control agenda is likely to be occupied with four principal issues. The first is greater openness, or transparency, in military programs and activities. After several decades of relying primarily on satellites and sensors to monitor military activities, and as the infatuation with on-site inspection fades, we are just now beginning to recognize and exploit the potential of relatively straightforward cooperative measures to provide intelligence. Through extensive and intensive multilateral exchange, nations can increase the information available on budgets, force size, production levels, research, development and modernization programs, deployment plans, arms transfers, and operational practices. As such openness improves our

**Table 2. CFE-Limited Conventional Weapons in the States of the Former Soviet Union (February 1991)**

| REPUBLIC                                 | TANKS  | ARMORED<br>COMBAT<br>VEHICLES | ARTILLERY | HELI-<br>COPTERS | AIRCRAFT |
|------------------------------------------|--------|-------------------------------|-----------|------------------|----------|
| Armenia                                  | 258    | 641                           | 357       | 7                | 0        |
| Azerbaijan                               | 391    | 1,285                         | 463       | 24               | 124      |
| Belarus                                  | 2,263  | 2,776                         | 1,384     | 82               | 650      |
| Estonia                                  | 184    | 201                           | 29        | 10               | 153      |
| Georgia                                  | 850    | 1,054                         | 363       | 48               | 245      |
| Latvia                                   | 138    | 100                           | 81        | 23               | 183      |
| Lithuania                                | 184    | 1,591                         | 253       | 0                | 46       |
| Moldova                                  | 155    | 402                           | 248       | 0                | 0        |
| Russia                                   | 5,017  | 6,279                         | 3,480     | 570              | 2,750    |
| Ukraine                                  | 6,204  | 6,394                         | 3,052     | 285              | 1,431    |
| <b>TOTAL</b>                             | 15,644 | 20,723                        | 9,710     | 1,049            | 5,582    |
| Soviet forces<br>in Germany*             | 5,081  | 9,167                         | 4,228     | 432              | 1,029    |
| <b>TOTAL**</b>                           | 20,725 | 29,890                        | 13,938    | 1,481            | 6,611    |
| <b>TOTAL<br/>PERMITTED<br/>UNDER CFE</b> | 13,150 | 20,000                        | 13,175    | 1,500            | 5,150    |

Source: Arms Control Association.

\* All Soviet forces in Germany are scheduled to be withdrawn by 1994.

\*\* Under CFE, the states of the former Soviet Union west of the Urals (with the exception of Estonia, Latvia, and Lithuania) must agree to allocate among themselves the total equipment permitted the former Soviet Union. Surplus equipment must be destroyed.



ability to predict the evolution of the overall security environment, it will enhance stability and reduce the risk of overreaction.

A second objective regarding conventional arms is to defuse the dangers of localized or ethnic strife in Europe. While the threat of a general war in Europe is minimal, numerous potential regional flash points, such as Croatia-Serbia or Armenia-Azerbaijan, still exist. Even if the CFE treaty enters into force, a concentrated effort will still have to be made to deal with these problem areas by subregional arms control. Subregional constraints might involve lowering force levels in geographically restricted areas (force allotments in Hungary and Romania, for example, could be 25 percent beneath CFE levels); establishing disengagement zones (Hungary and Romania could both agree not to deploy military forces within 50 kilometers of their common border); or instituting special monitoring measures such as intensive aerial overflights or third-party inspections.

A third issue, how to integrate large numbers of demobilized soldiers into civilian life and forestall a "black market" in conventional military hardware, will be one of the most challenging, albeit nontraditional, new arms control tasks. But it may also be the one most amenable to direct economic intervention. The United States has already offered the CIS \$400 million to help dismantle its nuclear and chemical warheads. The United States and its European allies may wish to consider establishing a similar Conference on Security and Cooperation in Europe (CSCE) fund to help destroy, securely store, or ultimately buy up surplus war material from Eastern Europe and the CIS states to keep it from leaking into the black market (as apparently happened during the Croatian-Serbian conflict).

We may also wish to use an international fund to help train, house, employ, or provide severance pay to demobilized CIS soldiers to keep them from becoming a disruptive social or political force. Germany did as much to speed the evacuation of Soviet soldiers from its territory, and the current Russian military budget has designated all its capital investment for housing. We may also wish to institute programs to train soldiers who remain in uniform to work on disaster relief, environmental clean-up, and other civil support missions.

Finally, with or without U.S. participation, the European states will need to work toward creating European-based peacekeeping, peacemaking (that is, interventionary), and conflict-resolution institutions to deal with continent-wide security issues. The U.S. government does not now favor such institutions because it fears that they would undercut U.S. influence in European security issues. But, at some point, the tensions created by Yugoslavian-type crises, where the United States adopted a hands-off policy and Europe had very limited tools to manage the conflict, will force the empowerment of one or another of the Euro-based organizations (the Conference on Security and Cooperation in Europe, the Western European Union, or the North Atlantic Cooperation Council), the United Nations, or another specially created body

**Table 3. U.S. Arms Transfers to the Middle East since the Iraqi Invasion of Kuwait**

MILLIONS OF DOLLARS

| COUNTRY              | VALUE            | EQUIPMENT                      |
|----------------------|------------------|--------------------------------|
| Bahrain              | \$ 37            | Tanks                          |
| Egypt                | 2,170            | Aircraft, munitions            |
| Israel               | 467              | Patriot, aircraft, helicopters |
| Kuwait               | 350              | Air base upgrades              |
| Morocco              | 250              | Aircraft                       |
| Oman                 | 150              | Armored personnel carriers     |
| Saudi Arabia         | 14,800           | Aircraft, tanks, helicopters   |
| United Arab Emirates | 737              | Helicopters                    |
| <b>TOTAL</b>         | <b>\$ 18,961</b> |                                |

Source: Arms Control Association. The table lists transfers of major conventional weapons notified to Congress between August 2, 1990, and January 1, 1992.

to deal directly and forcefully with subregional challenges to European security. Once some international institution is designated as the executive forum, it will have to earmark multinational forces for the peace-keeping task, and the member states will have to devise a decisionmaking process that keeps the parties to the problem from blocking action.

### **Stemming the Spread of Weapons**

As the enormous changes in Europe have eased concerns about East-West conflict, the United States and other developed nations have turned their attention to the challenges to international security posed by the spread of weapons in the developing world. Ironically, the problem is largely the result of the developed world's own policies during the Cold War, when arming the enemy of one's enemy was considered to be the height of sophisticated geopolitics. Meeting the proliferation challenge will require of the developed world a full and rare measure of political will and self-restraint.

To be sure, regimes to control several types of proliferation already exist or are under negotiation. The nuclear Non-Proliferation Treaty, with some 140 members, has been a highly successful example of international cooperation and common perspective for a quarter of a century. Negotiations on a Chemical Weapons Convention are far advanced and likely to be concluded in the not-too-distant future. And major supplier groups (to control nuclear technology, chemical and biological weapons, missile technology, and conventional arms transfers to the Middle East) have already been established and are expanding their scope.

Building on the existing nonproliferation structures, arms control can make several useful contributions. The first is to encourage stronger supplier restraint. Supplier states first must resist domestic political or economic pressures to sell arms, and then they will have to demonstrate a high level of political skill to balance the concerns of the developed world with objections from less advanced countries that nonproliferation regimes will spark. The nuclear supplier group clearly increased the time and cost of Iraq's nuclear weapons program. Nonetheless, the extent of Iraq's program surprised almost everyone, a fact that underscores the need to strengthen and expand nuclear export guidelines to include limits on "dual use" items—an effort already under way.

The United States and the other major arms exporters will also have to make more explicit efforts to limit sales of conventional weapons to areas of tension. For example, in conjunction with a supplier regime, "caps" might be placed on the value of arms exports approved by the supplier group to any one country in any one year (see table 3). That would require an international register of arms transfer and agreement among at least the "big five" exporters (the United States, the United Kingdom, France, the former Soviet Union, and China, which accounted for nearly 90 percent of the arms trade in 1990) to declare transfers and respect the cap. Pressure could also be applied to potential arms recipients by linking, directly or informally, U.S. aid, as well as aid from international

lending institutions, to military spending levels.

As important as supplier restraint may be, regional arms control will undoubtedly remain the best long-term way to slow proliferation. Models already exist: the Treaty of Tlatelolco (establishing a nuclear-free zone in Latin America) and the Conventional Forces in Europe treaty are examples. Rallying the political will and muscle to apply these models to regions of the world where the underlying tension has not been directly eased by the new cooperative spirit in Europe will be a challenge. But easing these regional concerns is the key to taking the pressure off the "demand" side of proliferation. In fact, supplier restraint should only be a tool to buy time for regional efforts to work.

Regional arms control in areas such as the Middle East, South Asia, and Korea will have to involve major outside players. The United States, Russia, France, or Britain, depending on the region involved, will have to take an active interest and leading role in bringing about even a modest reconciliation. This reconciliation process would involve, first, political dialogue (as between the two Koreas and at the Middle East peace talks), then transparency (as in the Sinai and on the Golan Heights), supplier restraint, confidence-building measures, and, eventually, explicit arms control measures to limit forces and disengage (or separate) threatening forces.

Improved verification and monitoring would also strengthen nonproliferation efforts. Confidence in arms control regimes and regional security arrangements can, in general, be buttressed by increased transparency and predictability. In the proliferation arena, where one is dealing, almost by definition, with countries trying to acquire military capabilities by clandestine means, comprehensive intelligence, monitoring, and verification regimes are critical. First, as the Iraq experience has demonstrated, all agreements dealing with weapons of mass destruction must permit the right to challenge inspections of suspect sites. Second, nations with sophisticated intelligence capabilities, the United States in particular, will have to begin to share intelligence more widely. Making information more generally accessible will increase the stake of other participating states in the nonproliferation regime, enhance their confidence in its viability, and strengthen any eventual case against violators.

Finally, arms control by example is an important adjunct to specific nonproliferation treaties and cooperative measures. Although it cannot by itself stop states or leaders determined to violate an international agreement or tacit understanding, it can enhance the moral authority of the major powers. Evidence of serious intent to implement supplier restraint, to pursue deeper nuclear force reductions, to destroy conventional weapons and nuclear warheads, to stop fissionable materials production, and to cease nuclear testing would bolster the case for "demand" reduction in the proliferation arena. It would also strengthen the hand of the major powers in making the case for taking collective action—whether export controls, political and economic sanctions, or military measures—against any state that violates international agreements or standards. ■

# ZAMBIA'S Democratic Transition



## THE BEGINNING OF THE END OF THE ONE-PARTY STATE IN AFRICA?

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Last fall, Zambia, a small, landlocked Southern African nation, one of the world's poorest countries, made a dramatic and surprisingly peaceful transition from one-party rule to democracy. On October 31, in the first free and competitive elections in almost three decades, Frederick Chiluba and the Movement for Multiparty Democracy (MMD) soundly defeated Kenneth Kaunda, who, with his United National Independence Party (UNIP), had ruled the country since independence in 1964—and ruled it as a one-party state since 1972.

Chiluba, a former union leader and long a critic of UNIP's monopoly on power, leads an eclectic movement composed of the business community, the unions, and disaffected former UNIP leaders. The MMD's electoral mandate was impressive: it won more than 75 percent of the vote and 125 of the 150 parliamentary seats. Since the elections, thousands of UNIP members have deserted to join the MMD. The largest public gathering ever assembled in Zambia—some 100,000 people—turned out to witness Chiluba's inauguration. The post-election mood is euphoric.

President Chiluba's promises to improve economic performance and to crack down on government corruption and mismanagement are music to the ears of Zambians, who have watched their per capita income fall from \$540 in 1964 to \$390 today. Can Chiluba deliver? To do so he must revive an economy crippled by inefficiencies and distortions. Zambia must overcome many of the same problems of economic transition facing Eastern Europe and the former Soviet Union, yet its resource base and level of industrialization are much lower and the incidence and severity of poverty much higher. Some 70 percent of Zambian people live below the poverty line, compared with 20 percent and 15 percent, respectively, in Poland and Hungary.

Falling prices for Zambia's main export, copper, and rising oil prices during the 1970s triggered the country's economic decline. Deficit spending by the government reached 10 percent of GDP by the late 1970s and set off a rise in inflation. Zambia is also struggling to pay off debts of \$7.6 billion to external creditors. With a population of just over 7 million, it has one of the highest per capita debts in the world.

Basic social services virtually ground to a halt while UNIP leaders squandered millions of dollars on personal perquisites. As a result, primary schools go without books and desks. Although Zambia has one of the highest incidences of AIDS in the world—54 percent of the mothers in neonatal clinics and 32 percent of all children born in Lusaka's main hospital are HIV positive—and thousands of Zambians die each year in seasonal cholera and dysentery epidemics, hospitals are without beds, staff, and medicine.

Former President Kaunda made several attempts at reducing state control over the economy, but he backed off in the face of political unrest. His "bête noire" was the price of maize meal, the dietary staple of the country. About a quarter of his government's operating budget went to maize meal subsidies for ur-



ban consumers—over half of whom spend up to 70 percent of their income on food. When Kaunda tried to raise the price in December 1986, the result was food riots and 15 deaths. Another attempt in 1990 led to more riots, 23 deaths, and an aborted military coup.

The inherent inefficiencies in the maize meal subsidy, coupled with government control of marketing and distribution, have led to constant supply shortages as well as to a thriving black market for maize. Until a few years ago, it cost less to buy a bag of processed maize meal than to buy the same amount of unprocessed maize. Huge quantities of maize meal are smuggled to neighboring countries, where it can be sold for market price at a large profit. The government tried to reduce the generalized subsidy in 1989 in favor of a coupon system to target the subsidy to the neediest groups. Yet local UNIP party officials in charge of distributing coupons turned the new system into a tool for party patronage.

The politically explosive maize meal issue provided Chiluba's first challenge—and also an important barometer by which to measure his chances of carrying out the bold reforms he has charted. When, last December, his government took its first step toward eliminating the subsidies by doubling the price of maize meal, there was no popular protest.

Clearly, Chiluba has some leverage. His large electoral margin and the strong support of the private sector, coupled with his union base, guarantee him the cooperation of key economic actors, at least in the short term. With the post-election euphoria, he also has a honeymoon period. People voted for change and are willing to make sacrifices for change. Yet the most difficult tasks lie ahead—another doubling of the price of maize meal and reducing the government payrolls by some 30,000 workers. Vital to Chiluba's success are measures to protect the most vulnerable groups in the face of rising food prices. And the new government has neither data about, nor experience reaching, these groups.

The obstacles facing Chiluba are not all economic. Despite the peaceful elections and transition, numerous incidents reflect the country's lack of experience with democracy. Immediately after the election, UNIP government officials shredded many vital documents, presumably to destroy evidence of misuse of funds, but in the process making it extraordinarily difficult for the new government to assess the economic situation—from figuring out how much debt it owes or what agreements it has with creditors to knowing how large its budget deficit really is. Meanwhile, overenthusiastic MMD supporters launched a persecution campaign against UNIP members, destroying party property and ransacking party offices. Although Chiluba strongly condemned the action, he does not necessarily have control over the rank and file of his eclectic movement.

Another problem is that elections for local governments will not be held until March at the earliest. Until then, given the extent to which UNIP controls local government and has now been totally discredited, it will be unclear who, if anyone, is in charge at the municipal level.

A danger that cannot be ignored, given the MMD's wide electoral margin and the subsequent crumbling of the UNIP party, is that Zambia will again drift into one-party rule. Many former UNIP officials are prominent members of the MMD. One of them, the current minister for local government, Michael Sata, observed that what was needed for efficient operation was for local government to operate like "an MMD one-party state." Although the statement was officially rescinded and Chiluba has consistently advocated tolerance for the opposition, a three-decades-old tradition of one-party rule clearly dies hard. Still, the Zambian people, even in rural areas, were made aware of their rights by the October elections. They will exercise those rights again in the upcoming municipal elections. Furthermore, most within the MMD are well aware that their electoral mandate is above all else a rejection of the UNIP's monopoly on power and the excesses that resulted from its lack of accountability.

### Prospects for Success

At this point, there seems to be room for cautious optimism. The extent of freedom in Zambia today compared with only a year ago is remarkable. An independent press has surfaced and its following has increased. The judiciary had already begun to exercise its rights as an independent actor while Kaunda was in power, actually sentencing Kaunda's son to death after he was found guilty of murder. With the elections, especially given Chiluba's strong stand against one-party government, these developments are unlikely to be reversed. Chiluba's commitment to a market economy has won him support from the international financial community. Britain has offered to forgive 60 percent of Zambia's total debt, and the United States has proposed to forgive \$110 million of \$193 million in Commodity Assistance and Eximbank loans in the next two years if Zambia reaches an agreement on an economic program with the International Monetary Fund. The IMF team arrived in Zambia only two weeks after the elections—the perfect time, in political terms, to launch economic reform.

The worldwide wave of democratic transitions and collapsing centrally planned economies, first in Latin America and now in Eastern Europe, may well include Zambia as the first country in Africa to implement dramatic political and economic reform at the same time. Given the extent and severity of its economic crisis, Zambia has a long way to go. Yet already its reform efforts make it stand out among other African nations, such as Zaire and the Ivory Coast, where autocrats in power since independence days continue to resist political change. The recent decision of Daniel arap Moi in Kenya to allow multiparty politics was no doubt influenced by the international community's response to the transition in Zambia.

Events in Africa rarely receive much international attention. Yet Zambia's progress deserves it, and its efforts on the economic front should be supported, both for their own sake and for the example they provide for other countries in the region. ■

RICHARD BOLTUCK  
AND  
ROBERT E. LITAN

# Down in the Dumps

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## Administering America's "Unfair" Trade Laws

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**U**nfair trade. The term itself invites condemnation. Certainly many nations think so. The more than 90 signatories to the General Agreement on Tariffs and Trade allow member countries to impose import duties to counter unfair pricing ("dumping") by foreign trading partners. The Subsidies Code to the GATT, signed in 1979, authorizes similar offsetting duties against unfairly subsidized imports. On these two agreements, the United States has built a major administrative program to root out dumping and unfair subsidization and apply remedial penalties.

For years the program operated behind the scenes. Relatively obscure technicians in the International Trade Administration (ITA) within the Department of Commerce investigate charges of unfair trade. If these specialists rule that a practice is unfair, the International Trade Commission (ITC)—a six-member independent agency—decides whether it causes "material injury" to an American industry. If the ITC finds injury, offsetting duties are imposed.

The unfair practice investigations were designed to be free from politically charged trade debate. The idea is that either the imports are or are not "fairly traded" according to well-established statutory standards. Impartial government agencies make the decisions, and the consequences are automatic.

Up until about 1980 the process stayed out of the limelight. But in the subsequent decade, the ITA began to hit the headlines. It launched 451 dumping investigations and investigated 301 cases charging unfair subsidization.

Individual ITA cases triggered some of the most important trade policy decisions of the 1980s: the 1982 "voluntary restraint agreement" limiting steel imports from 18 nations, the 1986 import restraints on Canadian lumber, and the well-known 1986 semiconductor accord with Japan. Recent ITA investigations have targeted computer diskettes, cellular mobile telephones, word processors, computer display screens, and minivans.

Thus far the United States has been the world's leading prosecutor of unfair trade practices. But other nations are catching up. Australia, Canada, and the members of the European Community have been particularly active. Developing countries such as Brazil, Korea, and Mexico—in the past major targets of trade complaints in industrialized countries—are turning the tables by stepping up their own case filings against firms in other countries, including those headquartered here. Even here at home, foreign enterprises with U.S. manufacturing facilities are learning that they too can take advantage of the trade remedy laws. In 1991 a Japanese-owned U.S. manufacturer of typewriters brought a dumping complaint against an American-owned competitor in Southeast Asia (the case was rejected by the Commerce Department).

The way the United States administers its trade laws matters not just to manufacturers directly involved, but to American citizens generally. Unfairly administered trade laws can hurt both consumers,

who may be forced to pay excessive prices for both imported goods and their domestically produced counterparts, and producers dependent on imported components, who may be forced to raise prices or to move their facilities offshore to obtain the cheaper inputs directly. More ominously, to the extent other nations begin copying any unfairness built into the administration of our unfair trade laws, American exporters, and thus American workers, will feel the pain.

In short, it is time to ask whether our unfair trade investigations are "fair" themselves. To what extent do they punish truly unfair trade and to what extent trade that only appears to be unfair because of procedures and computational methods that skew the outcome?

### Justifying the Laws

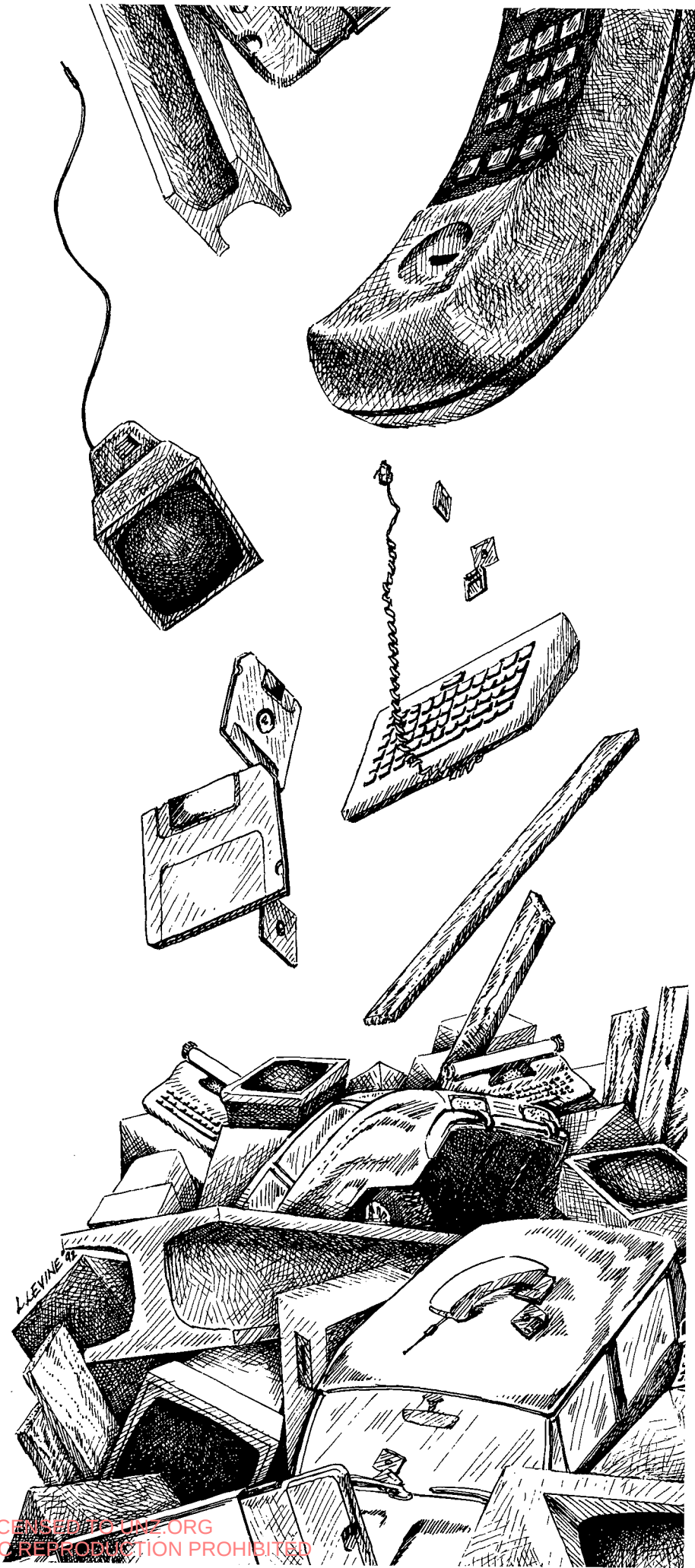
Many economists have argued that even truly "unfair trade" should go unpunished: if firms from other nations want to sell their products cheaply in the United States, then American consumers ought to take advantage of their generosity. But most parties involved in international trade disagree. Even the GATT, which is designed to promote freer trade, recognizes that dumping and subsidization can distort international trade, harm producers in importing countries (such as the United States), and detract from global economic welfare.

Justifying laws to counter dumping and unfair subsidies, however, is still tricky. The difficulty comes in specifying exactly what distortions these laws are designed to correct.

One standard defense of antidumping laws is that they are necessary to prevent international predatory pricing. But predatory pricing makes sense only if the practitioner can later raise prices to recoup any profits lost while prices were low. And this can happen only if the firms driven out of business by predation can't return to the market when prices go up. Antitrust commentators have doubted that such conditions hold in a domestic context. The same skepticism should apply in the international case as well.

In any event, U.S. antidumping law does not direct government investigators to determine whether imports reflect a predatory pattern; if it did, dumping would be found only when import prices fell below the marginal cost of production. The dumping statute mandates a simple mathematical exercise. If home country prices are higher than those in the United States, dumping occurs. And if such price comparisons cannot be made, dumping is found when U.S. import prices are below the average cost of production, a standard that no current U.S. court accepts as the test for predatory pricing.

A newly minted justification of the antidumping law focuses on the advantages of "first-mover" firms in highly capital-intensive industries in which "learning by doing" allows firms to lower their operating costs as they expand production. When the home market of such a firm is protected from international trade competition, the firm can earn enough profits at home to allow it to exploit other markets abroad.





If firms in other countries do not enjoy home market protection, they can be driven out of business and rendered unable to return because the technology has passed them by. But antidumping law in the United States (or in any other country) is neither designed nor administered to ensure that its application is limited to such instances.

Yet another argument advanced in support of laws against dumping and unfair subsidies is that while they do not promote *national* efficiency, they encourage competitive practices abroad and thus *global* efficiency. But since the unfair trade laws in the United States and in other countries as well are explicitly designed to serve domestic import-competing interests, arguments that they are *really* intended to benefit the world economy sound strained at best.

Finally, current antidumping practice has been described, but not actually defended, as a “baby 201,” referring to the “escape clause” in U.S. trade law that authorizes temporary protection for domestic industries seriously injured by import competition, whether “fair” or not. In fact, domestic parties have increasingly recognized the advantages of the dumping law as a *de facto* escape clause: the injury standards are easier to meet, and when dumping is proved, relief is automatic, whereas it is discretionary with the president under section 201. That the dumping law has all but displaced section 201 as a vehicle for escape clause-type relief, however, is disturbing because the dumping remedies are most often permanent rather than temporary.

When all is said and done, about the best justification that can be made for the unfair trade statutes is that they act as a legal “safety valve” that keeps the strongest claimants for protection from trying to obtain from Congress direct forms of protection such as tariffs or quotas. Thus, the unfair trade practice program can be rationalized to the extent that it prevents more unjustified protection than it hands out.

It is not possible to determine whether the way the current unfair trade laws are administered provides net social benefits by this standard. But if the laws are to exist—and for political reasons they probably always will—they should conform to two principles. First, enforcement should be confined to practices that truly do distort international trade. And, second, remedies imposed by the laws should accurately reflect the injury that unfair practices may cause. At the moment, neither principle is followed.

## Dumping

Contrary to the popular notion that the primary definition of dumping is “selling below cost,” both in law and in economic theory dumping is defined as *international price discrimination*, or charging a higher price for sales in a home market than for export to another country. Only when this definition cannot be applied might export prices be compared to production costs. In making the relevant price comparisons and computing dumping margins, however, the ITA refuses to average both U.S. and foreign prices, although Congress specifically authorized it to do so in

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1984. The ITA averages foreign transaction prices over a six-month period to determine a benchmark “foreign market value.” It then compares that average with U.S. import prices from *individual* sales and ignores any U.S. import prices that may be above the foreign market average. Thus, ITA counts in its computation of the dumping margin only the U.S. import prices that fall below the foreign average price.

The ITA argues that it refuses to average the U.S. prices to prevent “spot” or “rifle shot” dumping. But domestic producers can, and often do, charge different prices at different times, depending on demand and supply fluctuations. Why should foreign producers selling their wares here be penalized for doing the same thing? To be sure that each and every U.S. sale is priced above the home market level, foreign producers must be sure that their average prices in the United States are above those charged in the home market. Thus, the dumping law, in effect, requires reverse dumping in order to avoid remedial duties. The result is needless harm to U.S. consumers and downstream industries.

The ITA also tends to exclude from the dumping comparisons home market sales that are below the average cost of production. The effect is to increase the home market or “fair value” price with which U.S. import prices are compared, and thus to magnify dumping margins. Although the ITA is instructed by the dumping statute to ignore below-cost sales made “in substantial quantities over an extended period of time,” it has wide latitude in interpreting this provision. In effect the ITA ignores the widespread business practice of selling below average costs (but not below variable costs) for significant parts of the year or the business cycle, when demand is below normal.

When the ITA finds it cannot use home market or third-country prices as a “fair value” benchmark (because the sales volumes either do not exist or have been thrown out under the “below cost” test), it then compares U.S. import prices to an artificial “constructed value,” which essentially is average cost plus fixed statutory amounts for overhead and profit. In such a circumstance, the ITA does not determine whether price discrimination exists (for pricing comparisons have been ruled out or are impossible), but instead decides whether the import prices are simply below cost. As already noted, such an inquiry makes sense only if the purpose is to discover predatory pricing, or pricing below variable cost. But predatory pricing is not the focus of the dumping statute. Thus the ITA punishes foreigners for pricing practices—selling above variable cost but below an artificially calculated average cost—that are perfectly legal for U.S. firms selling in the domestic market.

Finally, the current practice of assessing dumping duties retrospectively—that is, after the imports have already entered this country, and sometimes years later—introduces needless uncertainty into the international trade environment, which is again harmful to U.S. consumers. This problem would be easily corrected if the dumping margins determined in each annual review applied prospectively to the next year’s imports.

## Unfair Subsidies

Unlawful subsidization is harder to define than is dumping. Under both the GATT Subsidies Code and U.S. trade law, countervailable subsidies include direct export subsidies, production subsidies, and subsidies to factors of production, but only when they distort international trade.

When the ITA calculates duties to counter government subsidies that are not tied to the level of exports, it simply computes the benefits the subsidies confer to producers. But such subsidies can benefit firms without distorting trade or influencing the prices they can charge consumers. Accordingly, the only appropriate measure of a countervailable subsidy must reflect the trade-distorting effects caused by the subsidy. Such an approach is consistent with the GATT Subsidies Code, which *requires* any countervailing duties to be lower than the amount of any subsidy if a lesser duty is sufficient to remove the injury caused by the subsidy.

To administer the “effects” approach, the ITA must estimate the degree to which the demand and the supply of the relevant product are sensitive to price changes. Often the ITA lacks the information to make such estimates. Even when the ITA has the information, the statistical techniques commonly used to provide the estimates often entail a great deal of uncertainty. How then is the ITA to decide on a single estimate of the countervailing duty required to offset the effects of a subsidy?

The answer is that analysts make point estimates all the time in conventional economic and statistical work, recognizing that there is a band of uncertainty around those estimates. It is far more appropriate for the ITA to live with those uncertainties but at least estimate the right number than to use the wrong number—namely, the subsidy measured by the benefits approach—simply because it may be easy to compute.

## Information Gathering

Another ITA practice that in many cases tilts the outcomes of its investigations toward domestic interests is its readiness to reject the data submissions of foreign respondents and to substitute “best information available” (BIA), which is usually prices and costs alleged by domestic petitioners.

The ITA maintains the BIA rule as a stick with which to threaten exporters and importers if they do not cooperate with the department’s requests for information. Unfair trade investigations, however, place heavy burdens on foreign respondents, especially on smaller companies, which find it difficult and expensive (not to mention highly intrusive) to comply with the requests. Not only must they fill out long questionnaires in English (requiring them to hire American law firms), but also they must supply price and cost data in a computer-readable format (another hurdle for many smaller companies). Often they must use different accounting conventions from those to which they are accustomed. And they must supply all this information quickly.

Sometimes they simply can’t comply. And when

they don’t, the ITA uses BIA. And when it does, the dumping margins are significantly higher than when it does not.

## Where to from Here?

Reforming U.S. unfair trade practices is particularly hard because so many other nations are using them.

Two obvious paths to reform are open. Either the United States can change its practices unilaterally or it can persuade other countries to do likewise at the same time. Although unilateral steps to bring the administration of unfair trade laws more in line with the underlying theory of the laws—to remedy only true distortions of international trade—would actually enhance the economic welfare of the United States, it is unlikely to happen in the current political climate. Support for U.S. unfair trade laws, however, could weaken as other nations continue to copy the worst features of our practices. U.S. exporters will argue ever more forcefully that U.S. policy is causing more harm than good. Unilateral changes in the U.S. laws and their administration may well be emulated abroad as more and more developing countries implement unfair trade practices regimes.

U.S. manufacturers that rely on imported components hit unfairly or excessively with unfair trade penalties will also be in a position to help lead a movement for unilateral reform. U.S. companies have already begun to realize the risks to which they are exposed. The U.S. computer industry, for example, has felt the sting of higher semiconductor prices triggered by the 1986 dumping complaint that resulted in the U.S.-Japan semiconductor accord. The same manufacturers have been hurt by dumping penalties assessed against certain computer screen displays, prompting them to consider moving some of their U.S.-based computer assembly operations offshore.

Ultimately, however, the best chances for reform lie in multilateral GATT negotiation, if only because the United States has rarely acted unilaterally to reduce other trade restrictions. The GATT currently entertains few complaints about the enforcement of unfair trade laws, in part because it does not permit complaints to be filed by private parties, only by their governments. Governments can be strongly tempted to clothe their protectionist impulses in the convenient garb of popular “unfair trade” complaints and thus have little reason to bring complaints in this area before the GATT. If private parties could complain directly—and if the GATT tribunals were given more effective enforcement powers—then unfair trade issues could be aired in a neutral forum.

In the end, we are not so naive to think that a campaign for making our unfair trade laws “more fair” is likely to gather political strength any time soon. But as more American industries and their workers get harmed by nations that want to copy our unfair trade practice “technology,” such a movement may gather political strength. In the meantime, the next time you read in the newspaper that a foreign firm has been found “guilty” of unfair trade practices, think about it. □

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restrictions.

**T**his June the United Nations Conference on Environment and Development will meet in Rio de Janeiro. High on its agenda will be global warming, an issue almost unique in its combination of portent and uncertainty. By and large, most scientists are convinced that if emissions of such "greenhouse gases" as carbon dioxide, nitrous oxide, methane, and chlorofluorocarbons go unchecked, average global temperatures will rise several degrees Centigrade over the next 50 years. But there is far less agreement about the local effects of increasing temperatures—changing rainfall patterns, incidence and severity of storms, loss of species, and so forth.

Yet another complication is the political dimension of global warming. Sovereign countries, nominative equals at the negotiating table, do not perceive themselves as being equally responsible for contributing to the potential problems or equally able to adapt to climate-related damages. The developing world understandably blames the buildup of greenhouse gases on the developed countries, who have been spewing industrial effluents into the atmosphere for well over a century. The industrialized countries, in turn, blame some of the poor nations for pursuing unsustainable development policies, such as converting rain forest to low-yielding cropland and allowing unchecked population growth, that have dangerous implications for the ecosystem.

In spite of the scientific uncertainties and political complexities, the possibility of catastrophic dislocations—from storms, droughts, and rising sea levels—is a powerful motive to take collective action. If change were to occur gradually, we could probably adapt without enormous costs. But change may not be gradual. It is possible, for example, that at some point a further increase in temperature will cause the permafrost in northern latitudes to thaw. This would release a large quantity of methane that could trigger more rapid temperature increases capable of altering world weather patterns and causing a substantial rise in sea levels. The cost of such a catastrophe would be so large that it clearly makes sense to try to forestall it.

An agreement to stabilize global climate amounts to taking out an insurance policy against environmental risk. Insurance will be costly, but exactly how costly is difficult to estimate. Like most insurance policies, present costs may outweigh the expected benefits in a narrow cost-benefit framework. But insurance still makes sense because most people prefer to reduce risk.

Thus, at the center of the global warming negotiations are issues of sharing the costs and responsibilities for reducing risk. Here the terms are not directly those of science or economics, but those of equity and the fairness of a cost-sharing plan.

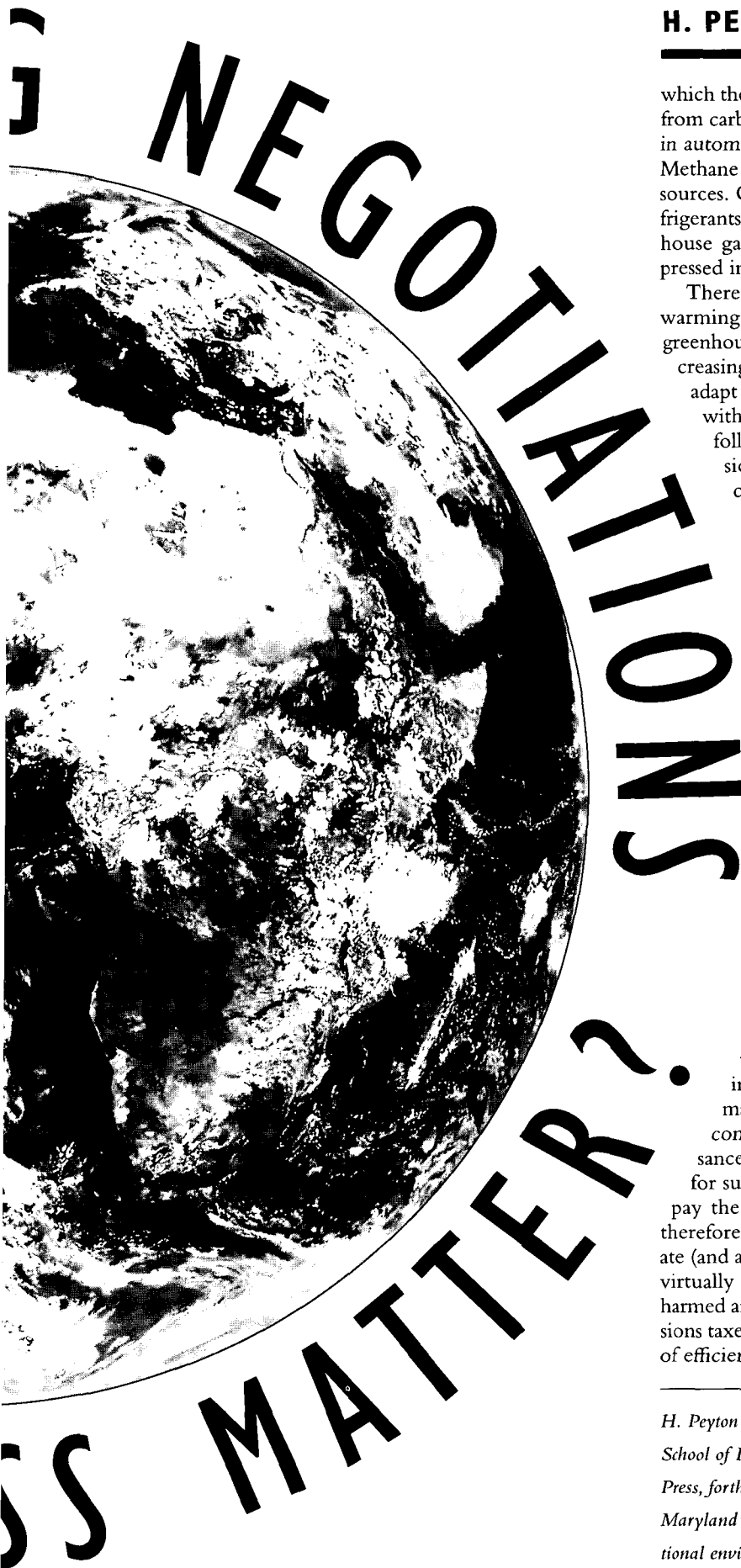
Ministers to the 1990 U.N. World Climate Conference in Geneva acknowledged the centrality of equity in climate negotiations: "The principle of equity and the common but differentiated responsibility of countries should be the basis of any global response to climate change." The success or failure of global warming negotiations may very well hinge on the delegates' ability to give satisfactory expression to this elusive concept.

### **What to Do about Global Warming**

Naturally occurring greenhouse gases reduce the amount of heat that escapes from the atmosphere. Since 1850, rising world population and industrialization have greatly increased the rate at







which these gases are emitted. More than half the warming comes from carbon dioxide, which is produced mainly by burning fuels in automobiles and factories and by clearing and burning wood. Methane comes from rice paddy residues and other agricultural sources. Chlorofluorocarbons are used in the manufacture of refrigerants, foams, and aerosol propellants. For simplicity, greenhouse gas emissions are often aggregated by country and expressed in carbon dioxide-equivalent terms.

There are three broad types of policy responses to the global warming problem. One is to moderate warming by restricting greenhouse gas emissions. The second is to offset emissions by increasing the earth's capacity to absorb them. And the third is to adapt to a changed environment. Almost all specific proposals within these broad approaches involve one or more of the following policy instruments: taxing greenhouse gas emissions, imposing lump sum assessments on countries according to their contribution to the problem (or their ability to pay), and limiting emissions through a system of quotas or permits.

### **Emissions Taxes**

The usual argument for an emissions tax is that it creates the right economic incentives for producers of greenhouse gases. Producers, whether industrial or individual, will try to reduce emissions to avoid paying the tax until it is cheaper to pay the tax than to make further reductions. If the tax rate for each greenhouse gas could be set equal to the social cost of additional emissions, the costs of global warming would be internalized in the system of economic prices. Greenhouse gases would be emitted in exactly the "right" amounts—namely, the amounts at which the cost of further reductions outweighs the anticipated benefits. That is the theory. The trouble is that it is difficult, given the economic and scientific uncertainties, to determine the correct tax rate.

Leaving aside that difficulty, would an emissions tax be equitable? Implicit in an emissions tax is the assumption that people are entitled to a certain level of well-being—in this case, the one they enjoy in the current climate. According to the well-known legal principle of just compensation, people have a right to be free from a "nuisance" created by someone else, or to be duly compensated for suffering it. Thus, those who degrade the climate should pay the social costs associated with their actions. The tax is therefore justified provided that the compensations are appropriate (and actually carried out). As a practical matter, however, it is virtually impossible to determine how much individuals are harmed and how much compensation is due. So in practice, emissions taxes are not very attractive from the standpoint of equity or of efficiency.

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## Assessments

The premise of the emissions tax is that individuals are “entitled” to the status quo—in this case, a stable environment. But why should the same right not be granted, instead, to producers, who have been innocently and legally going about their business? If a community wishes to reduce the risk of atmospheric changes caused by greenhouse gas emissions, should it not compensate producers for cutting back on their production? Producers should be willing cut back if they were paid enough to cover the costs of reduction, and the community should be willing to be assessed an amount up to expected damages.

How would the costs of reduction be distributed under such an assessments scheme? Imagine that the sole source of global warming is carbon dioxide and that the full costs of reductions are borne by individuals. In theory, each individual has a trade-off rate between money spent on personal consumption and money spent on ensuring a stable environment. In economic terms, the total payment should be such that the social benefit from any further reductions is just outweighed by the cost. At this overall level of carbon dioxide, every individual would contribute at a rate that leaves him or her indifferent between spending one more dollar on reducing carbon dioxide and spending his or her portion of that dollar on private consumption.

One obstacle to the realization of the assessments approach is the free-rider problem. The contribution of each person toward reducing greenhouse gases depends on his or her willingness to pay, that is, the trade-off rate between spending on greenhouse gas reduction and other purposes. If someone says he is not willing to pay, then he will not be charged. The free-rider problem also applies to nations: if a country announces a low willingness to pay, its citizens will continue to enjoy the reductions being paid for by everyone else. Of course, a country facing the prospect of severe damage (such as Bangladesh, if sea levels rise) might value reductions highly but be unable to pay. The way around the problem is to share costs not according to stated willingness to pay, but according to some visible proxy, such as economic output—that is, ability to pay.

In the case of global warming, for example, the industrialized countries might agree to be assessed in proportion to their gross domestic product. The funds collected could then be used to compensate certain producers for cutting back on emissions, as well as to invest in projects (such as reforestation) that offset global warming, to develop energy-conserving technologies, and so forth. Under such an arrangement, the United States would pay about 25 percent of the total, while Denmark would pay 0.5 percent. Thus for every dollar that the United States contributed, the fund would spend \$4 on mitigating global warming. For every dollar that Denmark contributed, the fund would spend \$200. Because of this matching effect, it becomes more attractive for everyone to contribute, and the free-rider problem is moderated.

The obvious difficulty with such a scheme (as with the revenues from emissions taxes) is that it places large sums of money in the hands of a bureaucratic agency, which would be charged with apportioning it among

**Table 1. Share of Total World Carbon Dioxide Emissions, Population, and GNP, Industrial and Less Developed Countries, 1986**

| COUNTRIES      | CARBON DIOXIDE EMISSIONS |         | POPULATION | GNP |
|----------------|--------------------------|---------|------------|-----|
|                | CUMULATIVE               | CURRENT |            |     |
| Industrial     | 70%                      | 60%     | 23%        | 84% |
| Less developed | 30                       | 40      | 77         | 16  |

Sources: Authors' calculations based on World Bank; *Information Please Almanac*; and Susan Subak, *Accountability for Climate Change* (Stockholm Environmental Research Institute, 1990).

Adhering to the status quo allows too little flexibility for capping carbon dioxide production, while an egalitarian distribution takes too little account of the hardships (and the political realities) that attend adjustment.

various activities. In theory the funds should be allocated so that each additional dollar spent on, say, reforestation, has the same benefit as each dollar spent on energy conservation. But such calculations are difficult to carry out administratively. Ultimately, assessments (like emissions taxes) suffer from the defect of trying to achieve a specific level of emissions through a command system of prices and subsidies, which is a notoriously difficult task to carry out efficiently.

### Permits and Quotas

The third approach is more direct. Countries would negotiate overall target levels of various greenhouse gases and allocate them in the form of permits or quotas. The question immediately arises as to who gets how much and why.

Most discussions of greenhouse gas reductions assume that nations are the claimants. Admittedly, national governments negotiate the treaties and carry out their terms. But because it is individuals who will suffer from dislocations caused by global warming and who will benefit from a reduction in the risk, individuals must be the ultimate claimants. Is each individual entitled to the same number of permits? There are two answers to this question, each one grounded in some conception of distributive justice.

The “egalitarian” theory holds that everyone is eligible for exactly the same number of permits. The 1987 Montreal Ozone Protocol, for example, allocated chlorofluorocarbon emission quotas equally per capita among the industrialized countries, using current populations as the basis of the distribution. A similar idea has recently been proposed to stabilize carbon emissions.

The second theory considers current emissions as a claim established by usage and custom. This “grandfathering” approach is observed in many laws and regulations. For example, when fish stocks first appeared in danger on the North Atlantic Georges Bank fishing grounds, the United States and Canada used the 200-mile Exclusive Economic Zone agreement in the Law of the Sea Treaty to restrict new entrants, while established boats were allowed to fish at customary levels. Such a policy favored traditional fishermen from New Bedford and Nova Scotia, at the expense of Japanese and Taiwanese factory-trawler operations.

If these measures had failed to stabilize fish yields on the Bank, established claims would probably have been adjusted downward by comparable amounts. Similarly, if greenhouse gas emissions must be cut, it could be argued that all countries should sacrifice equally, relative to their status quo position, for the common good. This “equal sacrifice” doctrine can be variously interpreted: each country’s current emissions might be reduced by an equal amount per capita, or by a fixed percentage per capita, or perhaps according to a progressive schedule, with the greatest percentage cuts being imposed on those with the highest emissions rates.

### Who Gets How Much?

The practical implications of the two permit entitlement theories are radically different (see table 1). The industrialized countries, with less than 25 percent of the population, are responsible for roughly 60 percent of

current carbon dioxide emissions and 70 percent of cumulative emissions. If quotas were distributed equally per capita, the industrialized countries would initially hold only one-third of the rights that they need to continue business as usual. (If past contributions were counted, they would receive even less; they might even be in debt.) The less developed countries, by contrast, would hold nearly twice as many entitlements per capita as they currently need.

Under an egalitarian distribution, the less developed countries would probably be willing to sell the industrialized world a large portion of their current entitlements, though not necessarily their future ones. The purchasers would, in theory, be willing to pay a price as high as the cost of reducing carbon dioxide emissions at the source. (There is always the possibility that populous countries could form a cartel and use their permits to gain economic and political leverage. The industrialized countries would then be faced with the unpleasant choice of accepting the demands, making drastic cuts in production, or simply reneging on the agreement.)

The sums of money involved would be enormous. If the objective were to cap emissions of carbon dioxide at current levels, permits might be worth \$25 to \$75 a ton, implying a transfer of up to \$200 billion a year from the developed to the developing world. (Official OECD development assistance, by contrast, amounts to about \$50 billion.) Practically speaking, industrialized countries are unlikely to go along with this solution, even if it can be justified on grounds of equal treatment.

Suppose instead that more weight were given to existing emissions patterns. Emissions could be frozen as of some date for the industrial countries, and the less developed nations would be permitted to rise to the much higher per capita level enjoyed by the industrialized world. But if this rule were followed, emissions would increase enormously. Even if population were not growing, total emissions would eventually triple under this policy. An increase of this magnitude poses grave environmental and economic risk.

### A Compromise Proposal

The practical conclusion is that adhering to the status quo allows too little flexibility for capping carbon dioxide emissions, while an egalitarian distribution takes too little account of the hardships (and the political realities) that attend adjustment. A possible compromise would be to shift, in a series of steps, from a status quo to an egalitarian regime. A particular year could be chosen as the baseline from which adjustments are to be made. The goal would be to keep total emissions of each type of gas below some established ceiling. A target rate of emissions per capita could be set for each type of gas. The entitlements would then be allotted as follows. Countries already above the target rate would have their entitlements reduced a specified percentage per capita (or a specified amount per capita) over a series of years. Countries below the per capita target rate would be allowed to rise to the target rate. Emissions entitlements would be allotted to each nation en bloc, with the internal distribution of entitlements to be determined by the country’s own policies. The end result would be an egalitarian regime, but the phased transition would rest



on the idea that everyone should sacrifice equally in moving toward this regime, except for those who are already disadvantaged.

Table 2 suggests how such a scheme would look if it were put into effect now. For ten years, developing countries' carbon dioxide emissions would be allowed to grow 4 percent (their current rate), while industrial countries' emissions would be reduced enough to keep worldwide emissions at the base-year level. Industrial countries would have to reduce emissions 3.3 percent annually for the first five years and 5 percent annually for the next five. Over the ten-year period, total industrial country emissions would decline 35 percent while developing country emissions would rise 48 percent. In per capita terms, the industrial countries would cut back 40 percent and the developing countries expand 21 percent. On this trajectory, per capita emissions would eventually equalize, with citizens of developed countries emitting about half their current amount and citizens of developing countries about double.

Should the number of emissions permits be adjusted as populations continue to grow? The answer is no—at least until the effects of greenhouse emissions on global climate become clearer. Permits should be considered an inheritance. The initial quotas would be fixed and divided among succeeding generations just like other forms of property. The larger the number of descendants, the smaller the share, on average, for each to inherit. To do otherwise (for example, to issue more permits as the number of claimants grows) would simply dilute the value of emissions entitlements to everyone.

### Implications for Global Warming Negotiations

Global warming negotiations are greatly complicated by the asymmetric positions of the industrialized and the developing worlds, both in their contribution to the problem and in their ability to do something about it. What can be fruitfully negotiated at this stage and how will equity arguments enter?

An agreement could be built up around several points. The first step would be to identify various patterns of emissions that participating countries believe to carry an unacceptable level of risk. From this, one would formulate a set of overall ceilings on emissions that would apply over the next several decades. These ceilings could then be adjusted as better scientific information becomes available. It should be openly acknowledged that the ceilings may not represent the economically efficient level of emissions. We simply do not know enough to carry out the necessary cost-benefit analysis. Even if we did, we would not automatically know what decision to make, because the decision ultimately hangs on the community's willingness to accept risk, and that is a matter of judgment.

The second step would be to identify the general means through which the burden of adjustment would be allocated. Of the three choices—taxes, country assessments, and quotas—the first two attempt to achieve a physical target through fiscal policy, which is extremely difficult. The amount of money raised in both cases would be enormous—several hundred billion dollars. It is doubtful that such sums could be spent

wisely and effectively. That leaves quotas. They achieve quantity goals directly without requiring a central taxing authority, and they can be adjusted over time. Though there are competing theories about the proper basis for entitlements, the compromise we have outlined between the egalitarian and the status quo positions could be appealing to both developed and developing countries.

Once the initial allocation is made, should trade in permits be allowed? Although there are theoretical arguments in favor of such a policy, it does not seem practical any time soon. One difficulty is that the issuance of entitlements is necessarily tentative: if global warming turns out to be worse than expected, the permits may have to be taken away. If it turns out to be milder than expected, more permits could be issued. In either case, these uncertainties make it difficult to set a value on the permits. A second problem is that there is no way to enforce the quotas. Until everyone sees that emissions in excess of permit holdings will not be allowed, it makes little sense to pay anything for a permit. In the international arena, monitoring and enforcing compliance are far more difficult than they are in domestic policy. Building confidence in an enforcement mechanism will take time, perhaps decades.

Fortunately, tradable permits offer a suitable method for distributing a country's emission quota *within* its own borders. The sulfur dioxide permit system in the 1990 U.S. Clean Air Act Amendments provides a clear case in point. Successful domestic experience could shorten the time needed for effective international application.

There is yet a third problem with an international permits market. The argument for temporarily granting higher per capita emissions rates to the industrialized countries is that an egalitarian distribution would work too great a hardship on them. If permits were freely tradable, however, then sales by these "heavy emitters" would suggest that they had been treated too generously and that the initial allocation was unfair.

The phased transition plan proposed above represents a compromise between a radical insistence on absolute equality and a conservative commitment to the status quo. Yet it virtually ignores the historical contributions of the industrialized world to the present buildup of greenhouse gases. How should these past emissions be counted in distributing the present costs of adjustment? Estimating past emissions with any degree of accuracy is extremely difficult. Furthermore, any attempt to pin down past responsibility must also factor in the benefits that resulted from the *laissez-faire* regime. For example, oil-producing countries have surely benefited over the past half-century from the unchecked emissions of carbon dioxide. The accumulated benefits (and blame) are so widely diffused that the true extent of each country's liability is probably impossible to estimate. A better solution, for which there is precedent in the 1987 Montreal Protocol, would be for the industrialized countries to establish a joint fund that would invest in research and technology transfer and provide financial aid to help the developing countries adjust to the new regime.

Even relatively modest levels of investment could

have substantial benefits. For example, the fund could support the development of improved global climate models, as well as basic research on chemical and biological processes related to global warming. It might also award prizes for promising inventions and discoveries that could help remedy the global warming problem. At a more ambitious level, the fund could provide credits to developing countries that adopt various technologies expected to reduce greenhouse gas emissions. A reasonable basis for sharing the costs of such a fund would be a commonly accepted measure of ability to pay, such as gross domestic product, or the United Nations contributions scale. By any such formula, the burden of costs would fall squarely on the developed countries. Not only would this be widely regarded as fair, it could prove to be of strategic and symbolic value in generating an agreement. The developed world would make a visible commitment, not only to cutting back on its own emissions, but also to helping the developing countries deal with a problem that the industrialized countries are largely responsible for setting in motion.

**The Role of Equity in an Agreement**

Admittedly, the solution that we have proposed is not terribly tidy. It relies on a mix of approaches: the status quo is taken as the legitimate starting point from which progress could be made toward a more egalitarian/distribution of resources. Reaching it will involve a combination of policy instruments—initial restrictions on emissions with voluntary compliance, followed later by the evolution of a market in permits and stricter enforcement mechanisms, with financial help along the way provided to the developing world by the developed one.

The objective, however, is not neat solutions, but equitable ones. Equity is a complicated, nuanced business that cannot be reduced to simple recipes like grandfathering present emissions or handing out equal numbers of permits to everyone. Equity involves balancing various considerations—past responsibility, present practice, ability to pay, and need. Delegates at climate change talks—those in process now, those in Rio in June, and those beyond—must craft a solution that treats all parties fairly *subject to* their disparate circumstances.

Naturally, the negotiators emphasize the justice of solutions that tilt in their favor. But schemes that are too obviously self-serving have little power to persuade others. The proposals that have the greatest chance of success are those that strike a balance between competing claims. As Judge Learned Hand once put it: “Justice is the tolerable accommodation of the conflicting interests of society.” In that sense, equity is not some utopian ideal dreamed up by philosophers; it is the tool that practical negotiators use to forge consensus.

Unless the delegates can accommodate the diverse positions of the developed and developing world within a framework perceived to be fair, the talks will degenerate into a mere contest of wills that comes to naught. Given the prospect—even the improbable prospect—of calamitous changes in climate, the stakes are too high to risk a failure of this magnitude. ■



**Table 2. Carbon Dioxide Emissions: Phased Transition from the Status Quo to an Egalitarian Regime**

| COUNTRIES         | TOTAL<br>(BILLIONS OF TONS) | PER CAPITA<br>(TONS) |
|-------------------|-----------------------------|----------------------|
| <b>FIRST YEAR</b> |                             |                      |
| Industrial        | 3.88                        | 3.37                 |
| Less developed    | 2.86                        | 0.71                 |
| <b>FIFTH YEAR</b> |                             |                      |
| Industrial        | 3.27                        | 2.72                 |
| Less developed    | 3.47                        | 0.78                 |
| <b>TENTH YEAR</b> |                             |                      |
| Industrial        | 2.52                        | 2.02                 |
| Less developed    | 4.22                        | 0.86                 |

Sources: Authors' calculations based on World Bank; *Information Please Almanac*; and Susan Subak, *Accountability for Climate Change* (Stockholm Environmental Research Institute, 1990).

Schemes that are too obviously self-serving have little power to persuade others. The proposals that have the greatest chance of success are those that strike a balance between competing claims.

# FSX and the New World Order

BY THOMAS L. McNAUGHER



In 1989 a U.S. agreement to collaborate with Japan in developing the FSX, a new tactical aircraft, became a lightning rod for the economic tensions that now plague U.S.-Japanese relations. Seeing Japan less as an ally than as an economic adversary, American critics viewed the FSX project as a U.S. technology giveaway likely to speed Japan's entry into the U.S.-dominated aerospace business. They preferred to see Japan buy American or develop its own aircraft without U.S. help.

The FSX agreement survived that controversy only to encounter another, this one in Japan. With the aircraft's costs rising almost as fast as the Cold War threat it was meant to face declines, the FSX looks increasingly like a bad bargain to the Japanese, who are prone to blame its spiraling costs on America's finicky participation. The project may yet come to a halt amidst bitter recriminations from both sides of the Pacific.

That would be unfortunate. While the end of the Cold War reduces the need for the new aircraft, it actually increases the need for U.S.-Japanese security cooperation. The FSX is but a small link in the array of ties between the two countries, but, like most international weapons projects, it has acquired importance extending well beyond its mere military capabilities.

The United States will inevitably play a crucial role in helping to define Japan's strategic place in the New World Order. Unlike in Europe, there is in Asia little basis for security cooperation save that provided by U.S. ties to the major players. Asians, including most Japanese, want the longstanding U.S.-Japanese military relationship to continue, though on a more equitable basis. An early and abrupt break in that relationship could force Japan toward strategic independence

before its own citizens or its nervous neighbors are prepared to accept it. That would increase tensions and military spending in the region, undermining the stability that now sustains Asia's economic dynamism. American and Japanese policymakers understand such concerns and are at pains to emphasize the durability of the U.S.-Japanese Mutual Security Treaty. In the absence of a common strategic purpose, however, economic tensions have already moved to the center of the relationship.

The FSX was born in the mid-1980s as an indigenous Japanese development project. It alarmed many Asians, who saw it as another big step in Japan's slow but seemingly relentless drive for military-industrial independence. Americans shared these concerns, even though the project was a natural outgrowth of U.S. pressure on Japan to rearm. U.S. officials insisted on collaboration both to bring the project under control and to help rectify their country's lopsided trade imbalance with Japan.

The resulting collaborative agreement survived the assault by critics wary of Japan's trade practices, partly because even in 1989 defenders could argue that the aircraft was needed to meet the Soviet threat.

Many Japanese still resent the 1989 controversy and what they see as continuing U.S. reluctance to transfer technologies smoothly enough to keep the project moving. And although the FSX controversy has been all but forgotten in the United States, a decision to produce the aircraft could easily run up against the same American critics. And this time, the traditional Cold War rationale will be useless.

Not that the aircraft needs to go into production. It could be dropped because its costs are too high and the threat is now

too low. The real issue is whether the project ends in bitterness or in a way that encourages further collaboration in this crucial military field.

Continuing collaboration makes economic as well as strategic sense. The long Cold War production runs that sustained several U.S. aerospace firms are gone, and defense officials are looking for ways to share costs. Meanwhile, the spiraling cost of the FSX, the result mainly of massive optimism at Mitsubishi when the project began, is acquainting Japan with what it really costs to meet demanding aerospace requirements.

Undoubtedly collaboration will boost Japan's bid to enter the aerospace business, albeit marginally. Yet economic trends point to greater product integration, especially in a field as expensive as commercial aerospace. It makes sense to see Japan's entry into the aerospace business in integrative, rather than national, terms.

Curbing the drive for national independence is a challenge for both these proud countries, although both are now increasingly dependent on the world's economy. With the drive for national independence in both cases expensive, self-destructive, perhaps even dangerous, the sensible solution to vulnerability is cooperation.

Which returns us to the FSX. Because it involves national industrial and technology policies, national egos, and military organizations jealous of their operational concepts, weapons collaboration is never easy. It survives only where there is sufficient political will among participants to make it succeed. Political will is in short supply these days in both Washington and Tokyo. One can only hope that what there is of it will endorse continued military collaboration of the sort embodied in the FSX project. ■

*Thomas L. McNaugher is a senior fellow in the Brookings Foreign Policy Studies program. He is currently at work on a new book on U.S. military strategy in Asia.*



# Toward U.S.-Japanese Cooperation

BY SOICHIRO SEKI



When President Bush made his trip to Japan last January, he brought political troubles on himself, but, more important, he let slip an opportunity for Japan and the United States to work toward genuine cooperation in the area of trade. And Japan's leaders lost a chance to redefine their nation's role in the global society. A trip that could have brought the leaders—and the people—of the two nations together led only to increased frustration that has, in turn, generated disrespectful and self-righteous public exchanges between the two countries.

The increasingly thorny trade relations between Japan and the United States derive partly from a large perception gap between their people. Americans think that the Japanese market is closed. The Japanese people think that U.S. goods are not competitive. It might be fair to say that both views are true.

Although Japanese tariff rates for manufactured goods are low, the purchasing and distribution system in Japan is based on long-term relationships, or *keiretsu*, that are very hard to penetrate. In this respect, it is true that the Japanese system is characterized by exclusiveness, and adjustments should be made. But that is not the whole story. Some foreign industries—the German automobile industry, for example—have succeeded in the Japanese market. Their strategy has been to sell very high-quality goods. And some U.S. goods simply do not satisfy Japanese consumers.

Executives of the U.S. automobile industry say that their productivity and quality have improved significantly. That may be true, but Japanese automobiles are also improving rapidly in their competition with each other. The Japanese market is a tough one. Com-

petitors struggle hard to get credibility in punctual delivery, quality, and competitive price. A Japanese company that has conquered the Japanese market can succeed in the United States pretty easily. To speak in terms of football, the Japanese company has been playing by a rule that says it must gain 15 yards to get a first down. In the United States, it need gain only 10. For U.S. companies trying to get into the Japanese market, it works the other way.

President Bush could have begun to bridge the perception gap by addressing the following three points at the Tokyo summit. First, Japan should end its ban on rice imports and open its rice market. The rice market is a symbol of the closedness of the Japanese market. The longer it remains closed, the more seriously the relationship between the two countries is distorted.

Second, the president should have asked what concrete and comprehensive measures Japan will take to adjust the systems that keep foreign companies out of its market. He should also have asked Japan to pay serious attention to export prices. Managed trade does not cure fundamental problems.

And, third, the president should have acknowledged U.S. domestic problems, such as the budget deficit, education, and industrial competitiveness. Admittedly, it is politically difficult for him to tackle some of them. Politics makes it equally difficult for Japan's leaders to take some useful steps. But blaming politics is not a constructive approach.

In turn, the Japanese leaders should also have addressed three points. First, they should have asked what concrete measures the president plans to use to tackle U.S. domestic problems that will ease the trade imbalance. Second, they should have been able to say, "We dis-

cussed the rice issue intensively before you came. Our current position is. . . ." Politically difficult as it is, Japan must move on this issue, preferably before the final phase of the GATT negotiations. Third, Japan must agree to make its market easier for foreign countries to penetrate. Japanese business has benefited from the openness of the U.S. market. Opening Japan's market is its responsibility.

The Tokyo summit should also have been an opportunity for the United States and Japan to discuss their global roles. The Japanese public has been struggling to find appropriate ways to carve out a greater international role. The debate includes such fields as overseas development assistance, international security, GATT, Japan's role in Asia, aid to the former Soviet Union, and the environment.

But the Japanese people have, over four decades, lost the habit of thinking of international political and security issues. They learned the lessons of World War II all too well. If President Bush had used the summit to endorse an expanded Japanese international presence, it could have helped build confidence in Japan that the nation must indeed make a bigger contribution to the world.

The main reason for the summit's failure to address all these important points was the president's decision to take an entourage of U.S. business leaders to Tokyo. That decision not only derailed the summit but also harmed the images of the president, the United States, and the U.S. people. The Japanese side, in a panic at the way things were going, also lost sight of the necessary agenda.

In January both sides got distracted. Next time they should remember their homework. ■

*Soichiro Seki is a guest scholar in the Brookings Economic Studies program. He is an official of the Japanese Ministry of International Trade and Industry. The views he expresses here are his own, not those of his agency.*

# A Race for Secretary of State

BY STEPHEN HESS



Since 1955 a nonpartisan organization in New York called Freedom House has issued an annual year-end survey of the state of freedom in the world. This January their report shows free societies continuing to rise to an all-time high: 89 democracies and another 32 countries in some form of democratic transition, 121 out of the world's 171 nations. Freedom House concludes, "The past three years have seen the greatest expansion of freedom in history."

With the end of the Cold War, the world stands on the verge of a new era—but its nature is still in doubt. As Arthur Schlesinger, Jr., puts it, "The evaporation of the Cold War removes superpower restraints on national and tribal enmities in the Third World. As warfare of ideologies subsides, the world reenters a possibly more dangerous era of ethnic and racial warfare."

According to Robert Hunter of the Center for Strategic and International Studies in Washington, "Today the United States has a greater range of geostrategic choice than it has had since the beginning of the Cold War." And as the nation faces these choices, it enjoys the luxury of reevaluating its place in the world without recrimination. This time no one need ask, "Who lost China?"

A spirited debate over a new U.S. foreign policy is being joined in learned journals and leading newspapers. The path of contention runs from "new" isolationists like Alan Tonelson, writing in *Atlantic* magazine; to "realistic" internationalists like Henry Kissinger, whose foreign policy has been described by Henrik Bering-Jensen as "no permanent friends, no permanent enemies, only permanent interests"; to "idealistic" internationalists like Congressman Stephen Solarz (D-NY), who would pursue an active foreign

policy to promote pluralism and freedom worldwide.

If only that debate could spill over into the 1992 presidential campaign, offering the American people the opportunity to decide what role they want their country to play in the unfolding new era. But it won't. Unfortunately, 1992 will be a year of treading water in U.S. foreign policy as George Bush and his opponents devote their energies to getting elected.

When incumbents are running, presidential campaigns are always retrospective sanctionings. The basic question becomes: should we throw the rascals out? The focus is on the past, not the future.

In a sense, this year's Democratic nominee is irrelevant, unless, of course, he foolishly allows himself to become the issue. The better part of wisdom for the contender is to say as little about what he will do for us as he can get away with. His strategy is to find fault with his opponent.

There are three other reasons why the Democrats are giving us fewer clues to their foreign policy beliefs than in previous election years. First, the five contenders for the nomination are particularly unschooled and inexperienced in foreign policy. Second, Bush's strong point is his knowledge of the world. (One doesn't want to play against his opponent's strength.) Third, this election will be won on pocketbook interests.

It is not in the interests of Bush's opponents to talk foreign policy, even if they have something to say. The Democratic candidates, when forced to do foreign policy, will have dual objectives: to prove they are as tough (or trustworthy) as the Republicans on military and national security matters, and, as Bill Clinton has already put it, to stress that "foreign and domestic policy are inseparable in today's world" (thus trying

to place foreign policy on turf they better understand).

So the world is at an important turning point, the United States has a grand opportunity to rethink its role in it, and all those who seek to lead us are otherwise engaged. What to do?

One way for foreign policy to be injected into the 1992 campaign would be through external events, a so-called "October surprise" that all candidates of the out-party fear. You will recall, for instance, the crises over the Suez Canal and in Hungary right before the 1956 election. During such periods the president exchanges his candidate's hat for his statesman's hat, much to the political detriment of his opponent.

There is another way—one over which we actually have some control. I propose a race for secretary of state.

Once the election is over, the attention of the president-elect, Republican or Democrat, will snap back to thoughts of international relations. He will turn at that time to people who have been creatively thinking, writing, debating the country's future course. In a subtle or subliminal way this always happens. It is said that Dean Rusk captured John Kennedy's attention through an article he wrote for *Foreign Affairs*.

What I am proposing is to encourage this exercise and make it explicit: a concerted effort by the news media to cover the ideas of those who might be future secretaries of state, or hold the key defense, regional, and international economic slots in government, and to invite them and others to write op-ed pieces, magazine articles, and appear on radio and TV interview programs.

Perhaps we can't focus our presidential contenders on foreign affairs at this critical juncture, but let's not abandon the foreign affairs debate. ■

Stephen Hess is a senior fellow in the Brookings Governmental Studies program. He is currently at work on Improving International Coverage in the U.S. News Media.

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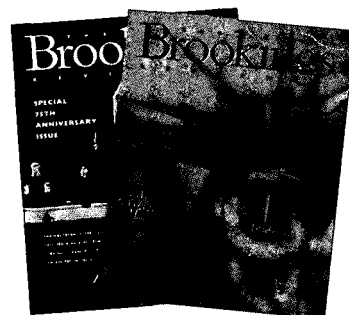
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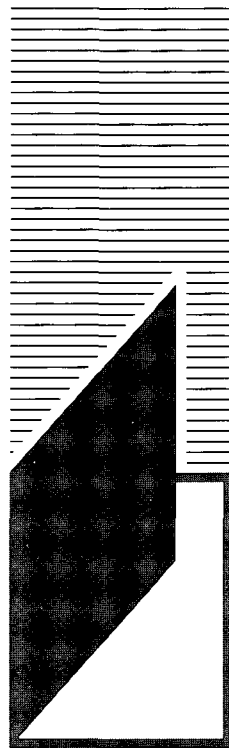
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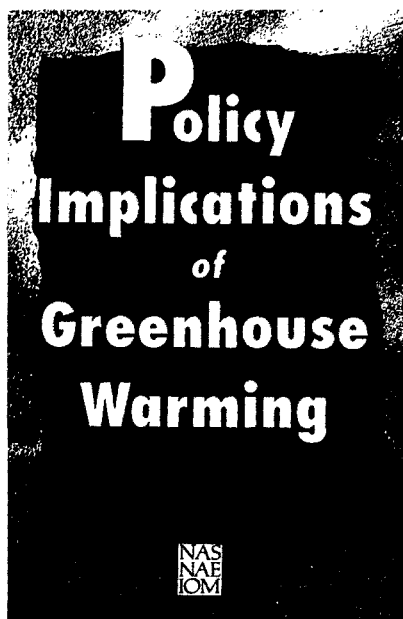
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